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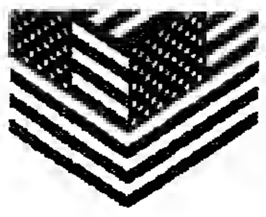

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FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY SEPTEMBER 16 1993 | D8523A

Optimistic Arafat prepares for early visit to Jericho

Yassir Arafat, chairman of the Palestine Liberation Organisation, returned from the US to his headquarters in Tunis declaring that a Palestinian state was within reach and that he had discovered a new friend in President Bill Clinton. The PLO leader said he hoped to travel to Jericho in the Israeli-occupied West Bank within 10 weeks to begin setting up the Palestinian authority agreed in the declaration of principles signed with Israel in Washington on Monday. Page 18; Jordan fears being left out, Page 8

Fears of new war: Croatia said it would withdraw from three villages in Krajina, the self-styled Serb state in Croatia, and place them under United Nations supervision. Serbs are threatening to retake the villages amid fears of a wider war in the enclave. Page 2

Canada's Liberals pledge to change Nafta

Canada's oppositinn Liberal party, led by Jean Chretien, said it would renegotiate the North American Free Trade Agreement and the 1989 US-Canada Free Trade Pact if it won the October 25 general election. The Liberals are slightly ahead of the ruling Progressive Conservatives in public opinion polls, but Mr Chretien trails well behind prime minister Kim Campbell (above) in personal popularity. Page 4

Fed 'irresponsible', say monetarists: The US Federal Reserve is pursuing an irresponsibly expansionary monetary policy and creating a bubble in bond and share prices, according to a group of US monetarists. Page 18

Ex-chancellor attacks Major: Former UK chancellor Norman Lamont dealt a blow to prime minister John Major by endorsing right-wing opposition to tax increases and challenging him to rule out any further British participation in European monetary union. Page 8

Imperial Chemical Industries, Britain's biggest chemicals company, is seeking a buyer for a substantial stake in its Teesside ethylene plant in north-east England, one of Europe's largest petrochemicals operations. Page 19

Damages in pregnancy sacking case: A former medical assistant, dismissed from Britain's Royal Air Force in 1985 after she became pregnant, accepted £22,000 ($33,880) in damages from the Ministry of Defence. Page 8

Citibank to buy out Hungarian venture: Citibank Overseas Investment, part of the US bank, is to take full ownership of its Hungarian joint venture Citibank Budapest, by buying the 20 per cent held by Hungary's central bank. Page 22

Taylor Nelson AGB, largest market research group in the UK, lifted first-half pre-tax profits by 57 per cent to £1.55m ($2.38m). The rise was helped by Taylor Nelson's £14.5m acquisition of AGB Research, part of the collapsed Maxwell private empire. Page 25

Volkswagen, German vehicle builder, expects to break even this year despite an expected DM1.25bn ($770m) loss at Seat, its Spanish subsidiary. Page 20

Coca-Cola issues tax warning: The Coca-Cola Company, Atlanta-based soft drinks maker, said a revision of the US tax code would reduce its full-year earnings by 4 cents a share. Page 21

CS First Boston is developing a company-wide remuneration scheme for staff as part of its efforts to meld the company, which operated until recently as three separate regional entities, into a single global investment bank. Page 19

Lloyd's faces more losses: Syndicates at the Lloyd's of London insurance market are suffering additional losses because of a number of reinsurance company failures, a report says. Page 8

Mirror Group profits recover: Strong recovery in profits at Britain's Mirror Group Newspapers has cleared the way for an early disposal of the 54.8 per cent stake in MGN held by administrators controlling the collapsed Maxwell empire. Page 19; Lex, Page 18

Monroe dresses stolen: Dresses once worn by Marilyn Monroe, including one that rode up around her legs as she stood on a grating in the film *The Seven Year Itch*, have been stolen from a New York warehouse.

■ STOCK MARKET INDICES		
FT-SE 100:	2389.4	(-38.6)
Yield	3.92	
FT-SE Eurotrack 100	1260.47	(-18.47)
FT-A All-Share	1488.64	(-1.2%)
Nikkei	closed	
New York: lunchtime		
Dow Jones Ind Ave	3603.47	(-12.29)
S&P Composite	458.82	(-1.08)
■ US LUNCHTIME RATES		
Federal Funds:	3¼%	
3-mo Treas Bills: Yld	3.013%	
Long Bond	103¼	
Yield	6.01%	
■ LONDON MONEY		
3-mo Interbank	6½	(same)
Liffe long gilt future:	Sep 111½	(Sep 113½)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$15.97	(16.18)
■ Gold		
New York Comex (Dec)	$348.6	(346.8)
London	$347.60	(345.25)

■ STERLING		
New York lunchtime:		
$	1.5515	
London:		
$	1.5515	(1.5465)
DM	2.4725	(2.485)
FFr	8.6225	(8.665)
SFr	2.1950	(2.16)
Y	164.75	(163.5)
£ Index	81.2	(same)
■ DOLLAR		
New York lunchtime:		
DM	1.5945	
FFr	5.5635	
SFr	1.3923	
Y	106.15	
London:		
DM	1.593	(1.6065)
FFr	5.5575	(5.6025)
SFr	1.3895	(1.3975)
Y	106.25	(105.8)
$ Index	64.9	(64.4)
Tokyo close Y closed		

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	Sk45
Bulgaria	Lev20.00	Iceland	IKr215	Nigeria	Naira60	Slovenia	SLT220
Croatia	HRD300	India	Rs40	Norway	NKr18.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.00	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Peso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Tunisia	Din1.250
France	FFr8.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Air France plans to cut costs by FFr5bn

State-owned airline to shed 4,000 more jobs by end 1994

By John Ridding in Paris

AIR FRANCE, the French state-owned airline, yesterday announced a FFr5bn ($870m) cost cutting package, including the loss of 4,000 jobs by the end of 1994, to try to stem mounting losses which it said had more than doubled to FFr3.8bn in the first half of this year.

The plan, the second set of crisis measures in two years, also involves the suspension of about 15 of its 203 destinations, the sale of part of the group's 57 per cent stake in the Meridien hotels chain and the disposal of its Saresco duty free shops.

The French airline plans to bring other shareholders into its Servair catering subsidiary and to maintain a wage freeze.

Air France, which is under strong pressure from the French state to reduce its losses, said the plan should enable it to return to profit in 1995.

The group declined to forecast its losses for this year. But in an interview in yesterday's Le Monde, Mr Bernard Bosson, the French transport minister, forecast a net loss of FFr5.5bn for the year, a sharp increase over last year's FFr3.2bn deficit.

Mr Bernard Attali, chairman, said the company's financial position had left it with no choice in implementing further cost cutting measures and that it had to "re-centre" its activities. A spokesman said Air France had been badly affected by the recession in France and Germany and that it was less competitive than international rivals because it had been late in implementing cost-cutting programmes.

The measures are aimed at reducing expenditure by about 19 per cent between now and 1995, with the bulk of the savings coming this year.

The 4,000 job cuts, which come on top of a programme to cut 4,600 jobs between 1991 and the end of this year, will comprise 3,000 ground staff and 1,000 navigation staff. The total effect of the job cuts will be to reduce the number of Air France employees to about 39,000 by 1995, a reduction of about one-fifth since the beginning of 1991.

Air France said it would minimise involuntary redundancies, but the plan ran into resistance from trade unions. "It is necessary to fight this plan, not to negotiate", the company's central union committee said.

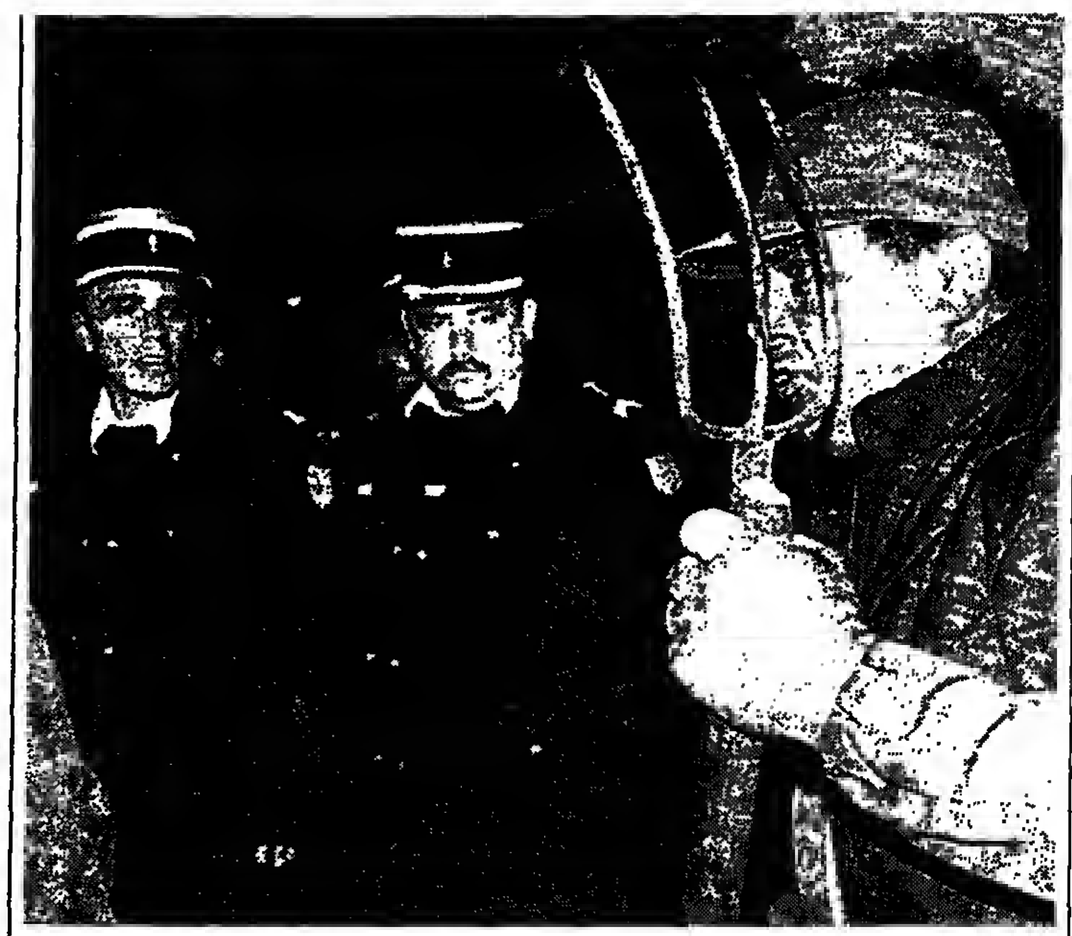
Mr Bosson said "redressing the financial situation of the company was a priority" and this must be done before the group is privatised. Air France is one of the 21 groups on the list of state-owned companies to be privatised in an ambitious campaign to be launched in the next few weeks.

The transport minister said the government "would do its duty as a shareholder" but industry ministry officials declined to say how much financial support would the airline could have.

The destinations to be suspended are likely to include Kuala Lumpur, Lusaka and some routes to northern Africa. The closing of such destinations, the company said, would allow it to concentrate resources on more profitable routes.

According to Mr Attali, there are some encouraging signs. The airline's passenger traffic had been increasing since May. But despite this, he said, "the current difficulties of Air France are far from being resolved".

World stockmarkets, Section II



A French farmer confronts police at one of the blockades that members of France's main wildcat farm union, Coordination Rurale, put up on roads and rail lines around Paris yesterday Report, Page 5 Reuter

Taiwan puts pressure on France to buy BAe jets

By Paul Betts, Aerospace Correspondent, in London

TAIWAN, which recently formed a joint venture with British Aerospace, is putting pressure on France to buy regional passenger jets from the company in return for its own purchase of $3.8bn worth of French Mirage jets and missiles.

Air Inter, part of the state owned Air France group, is planning to buy up to 15 regional jets and is understood to be considering the Boeing 737-500, the new Airbus A319 launched at the Paris Air Show in June, the Dutch Fokker 100 and the BAe 146RJ.

BAe is currently attempting to finalise the details of its joint venture to build regional jets in Taiwan, starting with the 146RJ. Taiwan Aerospace will hold 50 per cent of the new company, Avro.

The French deal, which could be worth between $300m and $400m, would represent a significant breakthrough for BAe's regional jet business in the mainstream European airline market. BAe has until now sold the four-engine 146 mainly to smaller regional carriers.

However, the British company has been facing especially fierce competition from Fokker, the Dutch aircraft maker controlled by Germany's Deutsche Aerospace, for the Air Inter contract.

The Dutch authorities are also understood to have put considerable political pressure on the French government, suggesting that selection of the twin-engine Fokker 100 by Air Inter could clear the way for a Dutch purchase of Franco-German Cougar military helicopters.

Taiwan has now stepped in by raising the threat of retaliation over the big Mirage deal if Air Inter does not choose the BAe 146. The sale of 60 Mirage fighters and 1,500 missiles to Taiwan is regarded as a lifeline for the French Dassault aerospace group, which has not won a military export order for four years.

The pressure by Taiwan on the French government also appears to confirm Taiwan's determination to complete the joint venture deal with BAe and develop a presence in the world civil aircraft market.

After hectic negotiations in Taiwan last month, BAe and Taiwan authorities finally agreed on the financial structure of Avro.

But Mr John Cahill, BAe's chairman, confirmed yesterday that the two sides were still negotiating technology and development issues in an effort to complete the deal. A senior Taiwanese delegation was in London last week, but the two parties failed to reach agreement.

Lex, Page 18
BAe results, Page 19
Talks with GEC; Turboprop alliance sought, Page 24

Return of capital controls raised by Delors

By David Gardner in Strasbourg, Peter Bruce in Madrid and James Blitz in London

MR JACQUES DELORS, president of the European Commission, yesterday raised the possibility of a partial reintroduction of controls on the movement of capital, to combat the sort of currency speculation which led to this summer's crisis in the European exchange rate mechanism.

"Cars are free to drive," said Mr Delors, the original animator of the economic and monetary union project, "but they are subject to traffic rules. I see no reason why at international level we shouldn't study means of limiting monetary traffic."

Mr Delors suggested that the safeguard clauses in the EC directive on the free movement of capital could be used by the 12 in concert. "Why can't what one country does be done by all together?" Mr Delors argued.

The free movement of capital is one of the foundation stones of the European single market, but Mr Delors seemed to imply that what he was putting forward would not conflict with internal market rules.

The safeguard clauses in Article 3 of the directive - which, for instance, allow member states temporarily to impose reserve requirements on lending to currency purchasers - were used by Spain and Ireland last year in vain attempts to save their currencies from devaluation.

Mr Delors was speaking at a European Parliament debate on monetary policy, where calls for capital controls were made on the eve of today's first anniversary of the forced departure of sterling and the lira from the ERM.

But his suggestions were swiftly countered by Mr Phillipe Maystadt, finance minister of Belgium which currently presides over the EC. Mr Maystadt said "reintroducing barriers to the movement of capital would be contrary to our objectives", of completing the single European market and reaching Emu.

But Mr Maystadt himself has recently harped on the need for

Continued on Page 18

Florida struggles to limit damage to tourist industry

By Damian Fraser in Miami and Michael Skapinker in London

FLORIDA was yesterday scrambling to limit the damage to its biggest earning industry of tourism, after the killing of a British holidaymaker on Tuesday.

The state government ordered police to guard rest areas off main highways 24 hours a day, and patrol trunk roads. It also set up a free telephone number for tourists reqnesting safety tips, and asked for $4m of emergency federal aid to pay for police surveillance in the Miami area.

The police search for the killers of Mr Gary Colley, murdered outside Tallahassee in northern Florida, intensified yesterday. The police found the getaway car in Monticello, a small town near Tallahassee, and announced that they had narrowed their search to some 50 people.

Mr Colley was the ninth foreigner to be killed in the state in the past year, and his murder comes less than one week after a German tourist was shot outside Miami airport.

Mr Uwe-Wilhelm Rakebrand and his pregnant wife were driving their rented car when it was bumped into from behind. The tourists drove on, but assailants opened fire from their car, killing the 33-year old German man.

Travellers arriving at Miami airport at night are advised to stay in hotels close by, and those who rent a car and brave the road from the airport to Miami Beach are given detailed instructions on how to arrive safely.

The Avis rental agency is attaching signs to the steering wheels of its cars advising drivers not to stop under any circumstances, especially if bumped into from behind.

Mr Greg Farmer, state commerce secretary, said that about 25 per cent of European package bookings are now heing cancelled. "There is no question that the European market will be affected" said Mr Mayco Villafana, of the Miami Convention & Visitors Bureau. "People are going to decide Florida is not the place to be."

The Florida tourism industry is worth around $31bn a year, employs about 650,000 people, 12.4 per cent of the non-farm work force, and as such is the state's largest industry. About 40m tourists visit Florida every year, 17 per cent of whom are foreigners.

Florida suffers from the US's worse violent crime rates with 1,184 violent crimes per 100,000, a little ahead of New York. Crime rates have recently fallen, suggesting tourists are in less danger now than in the past. Dr John Crotts, an assistant professor at the University of Florida, says an out-of-state visitor has less than a one in 10,000 chance of becoming a victim to violent crime – better odds than comparable figures for Honolulu in the 1980s, he says.

However at Miami airport, a Venezuelan tourist and his wife waiting to rent a car said he had read Venezuelans were being targeted, and asked the car rental agency if they offered life insurance.

Some 15 German tourists from Düsseldorf, who had planned to drive from Miami to Orlando and then travel around the state, yesterday changed their mind. They went to Orlando by bus and decided to spend their whole holiday in the Disney World hotel, according to Ms Suely Auerbach, of Florida Network Tours.

Ms Auerbach said she had not received a single booking from Germany in the last two days, compared to the 60-80 she would normally handle. Overall, bookings from German speakers were 50-60 per cent down on last year, she said. "In the long run this is much worse than Hurricane Andrew." She was now directing concerned European tourists to the Caribbean.

British Airways did not expect any long-term impact on UK tourism to Florida and said there had been no cancellations. "I think most people can see beyond the publicity", the airline said.

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Tougher EC line urged on steel aid

By Ariane Genillard in Bonn

THE German steel industry said yesterday that action being considered by the European Commission to enforce cuts in subsidies for state-owned steelmakers in Europe was not tough enough.

It said negotiations on a rescue package for the European steel industry would fail if the Commission backed proposals from public producers in Spain and Italy which did not lead to real cuts in chronic overcapacity.

"There are signs that the Commission is compromising too much and departing from its earlier principles to impose strict discipline over subsidies," Mr Ruprecht Vondran, president of the German steel federation, said yesterday.

He said he would ask the German government to oppose any agreement on subsidies if it amounted to "window-dressing".

Mr Vondran's warning followed the Commission's proposal, outlined on Tuesday, for the restructuring of the Spanish steel industry which EC industry ministers will be asked to approve on Monday.

Under the plan, Spanish authorities will be asked to find a private investor to keep open a mini-mill in Sestao, in the Basque country. The plan also foresees the closure of another Basque plant, at Anzio, by mid-1995, 18 months ahead of schedule.

But German private steel producers say such an agreement does not go far enough in curbing subsidies for state-owned producers and in forcing cuts in product categories suffering from overcapacity.

"Private investors cannot be used as scapegoats to rescue ailing state-owned steel plants," Mr Vondran said.

He also warned against steelmakers inflating production levels before offering capacity cuts and excluding social rehabilitation payments to scale down subsidies which they are asked to reduce.

German private steelmakers want Spain and Italy to undertake half the closures needed to meet the restructuring targets set by the Commission and which aims to cut 30m tonnes of crude steel-making capacity.

They are offering to cut 5m tonnes of crude steel capacity this year but are refusing to offer larger reductions unless a clear agreement on state subsidies for state-owned producers is reached.

The EC timetable for such as agreement has been delayed several times this year after fruitless negotiations with state producers in Europe, particularly in Italy. An overall decision on subsidies, intended for September, has now been postponed to November.

IMF seals pact with Hungary

By Nicholas Denton in Budapest

THE board of the International Monetary Fund yesterday approved a new agreement with Hungary providing a SDR340m (£312m) standby loan facility and giving the go-ahead to further funding from international institutions.

The IMF and Hungary suspended their previous agreement in the first half of last year when the budget deficit ran over target. The new accord restores Hungary's financial respectability.

It triggers the release of a $100m (£65m) credit tranche from the World Bank and Japan's Eximbank, and a further $100m World Bank loan in support of Hungary's privatisation programme.

Renewed borrowing from international institutions will enable Hungary to reduce slightly its reliance on international capital markets and manage more cheaply its gross foreign debt of $23bn, the highest per capita in eastern Europe. Yesterday's decision also clears the way for the World Bank delegation, at present in Budapest, to recommend backing for Hungary's efforts to recapitalise the largest state-owned banks after heavy loan losses.

Under discussion in Budapest, and contingent on IMF approval of Hungary's macro-economic policy, is a World Bank credit of about $200m for restructuring of the banks and a second programme to restructure large corporate debtors.

Hungarian officials describe World Bank support as crucial in bringing the capital adequacy of the fragile banking sector up to 4 per cent of assets before the end of the year and closer to the Bank for International Settlements's recommendation of 8 per cent.

The IMF credit agreement has its price for Budapest.

It ties the conservative government to a programme of deficit reduction even as elections scheduled for next spring approach.

Call for lower EC social costs

By Andrew Baxter in Hanover

EUROPEAN machine tool manufacturers yesterday called for a European Community industrial and trade policy to deal with the industry's deep-seated structural problems.

They unveiled a five-point plan aimed at correcting "flagrant imbalances" between Europe, Japan and the US, according to Mr Yves de Boisfleury, president of Cecimo, the umbrella body for Europe's machine tool organisations.

It was launched on the second day of EMO, the world's largest machine tool fair, in Hanover. Production of machine tools in the 12 Cecimo countries, which include Sweden and Switzerland, has fallen from a peak of SFr27.2bn (£12.5bn) in 1990 to SFr22.6bn last year. Employment in the industry has fallen by 32,000 to about 167,000 over the past two years.

The plea for help is part of a wider initiative which could lead to the EC's first formal industrial policy for the mechanical engineering sector.

The Cecimo document says competitiveness is mainly influenced by the social costs that industry must pay. It says a comparison of hourly costs in Germany, Japan and the US shows a disparity of 27 per cent in favour of Japan and 37 per cent in favour of the US.

Cecimo says this position is untenable in the short and medium term and asks the Commission to ensure that "within the framework of the social chapter in the treaty of Maastricht, the level of social costs in Europe comes into line with that of the Asian and North American countries".

It also says methods should be devised to enable industrialists to keep under contract the maximum number of personnel during a period of recession so that the industry is fully equipped for recovery. Its three other recommendations are:

- An EC study that should produce concrete proposals for stimulating specialised training for technicians;
- The urgent establishment of a specific research and development programme in European manufacturing, adapted to the needs and means of small to medium-sized companies
- A strong trade policy to maintain the European machine tool industry's competitiveness. This means "a positive and rapid conclusion of the Gatt negotiations and a co-ordinated policy to promote exports".

Cecimo's initiative is designed to avoid asking for protectionist measures.

Georgian president returns

A CONFIDENT Eduard Shevardnadze reclaimed his job as Georgian president and threatened a new crackdown on rebel fighters yesterday after forcing parliament to grant him emergency powers, AP reports from Tbilisi.

Mr Shevardnadze had submitted his resignation in a manoeuvre to force parliament to approve a state of emergency, then suspend its session.

Capitalising on the disarray, rebels associated with former President Zviad Gamsakhurdia captured a strategic rail and road junction in tha west, using armoured personnel carriers and grenade launchers.

Parliament first balked at the emergency law, but capitulated after more than 10,000 protesters massed outside.

D-Mark and Ecu may become platform for move towards monetary union

Plan to create 'dual anchor' for ERM

By David Gardner in Strasbourg

MR Phillipe Maystadt, finance minister of Belgium which presides over the EC, yesterday hinted at a plan to create a "dual anchor" for the ERM, with the D-Mark locked to a new form of "hard" Ecu, or European currency unit.

The plan is due to be unveiled next month by the European Parliament's monetary affairs committee.

Its essence is that the European Monetary Institute (EMI), due to be set up by January in Emu's second stage, should assume more quickly the functions of the eventual European central bank it is meant to prefigure, by issuing and managing the Ecu as a joint anchor to the system alongside the D-Mark.

The Ecu would be fixed against the D-Mark, with other EC currencies having their weighting in the Ecu "basket" adjusted according to whether they appreciated or devalued, but within much tighter monetary co-ordination, and enhanced joint intervention capability.

Mr Joao Cravinho, the Portuguese socialist and economist who has devised the plan, has already discussed it with Mr Jacques Delors, the Commission president, the Belgian presidency, the Bundesbank, and the Spanish prime minister, Mr Felipe González. Spain is at the forefront of those countries fearing that if hard currency member states try to establish a mini-Emu to salvage something from the wreckage, both the Emu project and the single market will came apart.

The plan will include proposals that:

- Member states turn over 20 per cent of their gold and foreign exchange reserves to the EMI to manage;
- The member states issue all new debt in Ecus;
- The EMI and Bundesbank assume joint responsibility for holding the Ecu/D-Mark parity;
- The Twelve set a joint "interest rate indicator";
- The Twelve evolve a joint incomes policy linking wage rises to productivity.

"If you're going to keep Emu on track the problem of the anchor (to the ERM) has to be tackled," Mr Cravinho said.

BELGIUM'S central bank again cut two of its key interest rates yesterday in the wake of the easing in German monetary policy at the end of last week, writes James Blitz. However, unlike the rate cuts of the past few days, the move was followed by a depreciation in the value of the Belgian franc against the D-Mark.

The Belgian authorities cut their central rate from 10.25 per cent to 10 per cent. They also cut their end-of-day rate from 12 to 11.75 per cent.

The Belgian currency ended the day weaker against the D-Mark, closing at BFr21.41 against a previous BFr21.47. The currency may have fallen amid the buying of D-Marks against the dollar, sterling and most European currencies.

But there were new signs yesterday that dealers are not interpreting the recent easing in European monetary policy as a sign of more cuts to come. Belgian interest rate futures, which are among the best guides to the market's expectation of future rate moves, failed to rally yesterday. French interest rate futures were also weaker, despite the easing in France's 5-10 day lending rate last week.

Associated Press

Relatives of Croats killed in the village of Uzdol crying over bodies yesterday in the town of Prozor

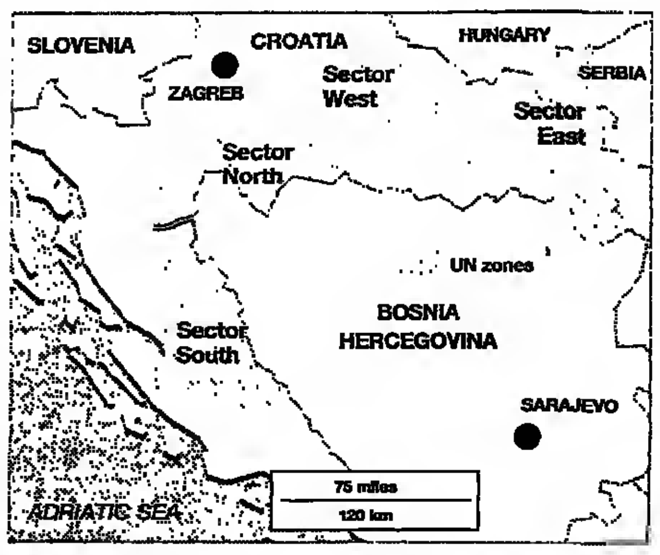
Krajina clash raises fear of new Serb-Croat war

By Laura Silber and Gillian Tett

CROATIA said yesterday it would withdraw from three villages wrested last week from Serh control in Krajina, the self-styled Serh state in Croatia, and place them under United Nations supervision.

But with the Serb forces threatening to retake the villages, the fighting in the last five days has rekindled fears of a wider war in the enclave.

Although the battles in central Bosnia have overshadowed the rumbling conflict in Krajina in recent months, it is the hroader struggle between Croatia and Serbia thet seems set to shape the future of any peace – or further fighting – in the former Yugoslavia.



The Croat offensive against the Serb-held villages last week was not, it seems, a serious attempt to recapture territory lost to the Serbs after the bitter six-month war in 1991. Instead it appears to have been a limited attempt to flex Croatia's military muscles in the face of pressures from both the Serbs and the international community.

One of the pressures facing Mr Franjo Tudjman, the Croatian president, is the knowledge that the UN mandate for the peace-keeping forces in Croatia is due to expire at the end of the month. Since the January 1992 ceasefire, the disputed areas in Croatia have been monitored by 15,000 peacekeeping troops in UN zones known as Sectors North, South, East and West.

Although UN officials generally expect that the mandate will he renewed, the uncertainty about the UN's role, and the future of the enclaves, has renewed Croatian fears that the proposed partition of Bosnia in the latest peace plan could lead to a division of Croatia as well.

With a third of Croatia under Serb control, Mr Tudjman is now at pains to deflect domestic attention from Zagreb'a apparent weakness.

He is also under pressure to dampen domestic suspicions that Croatia has struck too close a deal with Serbia. Even if the Serh leadership is eventually willing to hand over parts of their self-styled state, Belgrade will be loath to cede the disputed Sector East, with the fertile areas of Baranja and Eastern Slavonia on the borders of Serhia, without an all-out war.

Since Croatia would be hard pressed to fight on two fronts, the conflict with the Serbs has apparently prompted Mr Tudjman to try for a reconciliation with Mr Alia Izetbegovic, the Bosnian president.

Mr Tudjman's sudden request for a meeting with Mr Izetbegovic this week fuelled suspicions in Belgrade of a revived Croat-Moslem alliance which could destroy any Serb-Croat plans for a two-way partition of Bosnia.

NEWS IN BRIEF

Italy and Norway in oil deals inquiry

By Robert Graham in Rome

ITALIAN and Norwegian judicial anthorities are investigating a series of deals involving the North Sea oil business, including those of Eni, the state oil concern, and Statoil, its Norwegian counterpart.

This was disclosed yesterday in a brief statement from the Italian financial police, the Guardia di Finanza, after a visit to Milan by a team of Norwegian investigators.

Eni has been at the centre of Milan magistrates' corruption investigations for more than nine months and previously suspect commissions and payments have been identified in contracts in developing countries or the former Soviet Union. But this is the first publicised instance of an investigation of alleged corrupt deals in a European country.

Germans argue social case

THE German government suhmission to the European Commission's review of jobs and competitiveness argues in support of a strong social dimension, welcoming a greater role for the social partners – unions and employers – written into the Maastricht Treaty, writes David Goodhart.

In addition to existing directives it suggests seven general rights which workers throughout the EC should enjoy: equal treatment for people in part-time employment; ban on discrimination against workers who exercise their legal rights; the right of the worker to be heard in internal company matters; protection of privacy; entitlement to four weeks leave; adequate protection against dismissal and ban on sex discrimination.

IMF may reprieve Russia

A senior G7 official said yesterday that Russia could still receive financial assistance for macroeconomic reforms from the International Monetary Fund this year if it took "appropriate actions" to put its reforms back on track, writes Leyla Boulton in Moscow. The US official said after talks with Russian ministers he believed that reforms were at a "crucial juncture" and that be was encouraged by the buoyant mood of reformers. He said actions over the next few weeks on the budget deficit and inflation would determine whether progress so far "would be maintained or there would be a slip backwards".

Bonn seeks new Nazi ban

Chancellor Helmut Kohl's cabinet yesterday decided to ask Germany's constitutional court to ban the Free German Workers' Party (FAP), one of the country's leading neo-Nazi groups, Reuter reports from Bonn.

The interior minister, Mr Manfred Kanther, said the decision showed the government was determined to fight far-right extremists who threatened democracy and disturbed the peace for both Germans and foreign residents.

Verdict on Airbus crash

Aerospace industry officials and analysts said yesterday they did not believe the crash of an Airbus Industrie A320 in Poland, the fourth since it went into service, was linked to its controversial fly-by-wire controls, Reuter reports from Paris. The Lufthansa jet carrying 70 people from Frankfurt crashed on landing at Warsaw airport on Tuesday, killing two people and injuring up to 55. The aircraft, which landed in a rain storm, slid off the runway, hit an earth barrier and burst into flames.

Balladur's 'socialist' victory

Mr Edouard Balladur, the French prime minister yesterday appeared to win his party's support for his plan to integrate a once-derided "socialist" levy fully into the French tax system, as part of the 1994 budget which he will unveil next week, writes David Buchan in Paris.

Mr Balladur angered many in his own party in May when he announced an increase to 2.4 per cent in the CSG tax, a flat-rate levy taken directly from the pay packets of all earners which was introdnced by the Socialists three years ago against conservative opposition. A sweetener he offered critics has been withdrawn.

Balladur: won party tax battle

Italy losing resolve on plant closures

By Robert Graham in Rome

THE FATE of 333 surplus workers at an ageing state-owned phosphorous plant in southern Italy has become a test case of the government's resolve to rationalise loss-making industries at a time of rising unemployment.

The workers' plight at Crotone on the Ionian coast of Calahria has also become a symbol of southern Italy's desperation with unemployment rates of 23 per cent. From President Oscar Luigi Scalfaro downwards, everyone in authority has sympathised with the workers and the government has followed the line of least resistance.

As a result, the compromise solution now being hammered out looks set to disregard the government's hrave talk of allowing state industries to be run as commercial operations. It also encourages the numerous other worker protests in progress, which have yet to receive full publicity, to take the law into their own hands. The 70-year-old phosphorous plant is part of a petrochemical complex owned by Enichem, the chemicals arm of Eni, the state oil concern. On September 7 the plant was occupied and vandalised in protest over plans to lay-off 333 of the 500 workers.

Throughout this period the Crotone railway station has been blocked to all traffic by protesters sitting on the tracks, while drums of chemicals have obstructed the main coastal road. The authorities have made no efforts to unblock these essential communications for fear of provoking further violence involving toxic chemicals.

Behind the protest lies a sorry history of disinvestment in Crotone – the oldest industrial zone in Calabria – coupled with the politically motivated planning of petrochemicals ventures in southern Italy and the change in management at Eni following its transformation in *August 1992 into* a *joint stock company*. Eni inherited the plant from Montedison through their ill-fated chemicals venture, Enimont. Although it is the sole phosphorous producer in Italy, losses have been accumulating. Last November, after 12-month losses of L24bn (£10m), it was shut down and the 333 workers were left idle on full pay. Of these, more than 100 had been reabsorbed under a court order following the failure of an Enichem project to produce tennis rackets on the site.

The trigger for the protest was Enichem invoking the mechanism to lay them off – a process whereby they lose approximately 20 per cent of their pay. The workers feared this was the first step towards ultimate unemployment, and were determined to force Eni and the government to come up with alternate plans to create long-term jobs.

After tortuous negotiations Eni has agreed temporarily to maintain full pay; but has tried to make the point thet, as a public company, its loss-making operations have to be rationalised. No longer can it fulfil a role in the south of providing padded state employment.

After three days of talks in the prime minister's office, the compromise centres on the government declaring Crotone a zone of economic emergency. This enables special state funds to be made available from the budget as well funds from the EC. These monies will aid an as yet undefined industrial project involving tha Eni group and regional financial institutions. In return Eni, will take back only a small number of the 333 workers dua to be laid off.

This solution suggests Enichem will be subject to similar pressures when it seeks to cut some 800 of its 2,900 workforce in economically depressed Sicily.

Finally the Crotone affair has played into the hands of the populist Lombard League. Mr Umberto Bossi, the League leader, claimed this week the south was being protected at the expense of the north where the recession is keenly felt hut without such protests.

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‘Feel bad’ factor threatens Poland’s reformers

Despite economic success, free-market parties are trailing in the polls, writes Anthony Robinson

Polish elections

OVER the past four years Poland bas been transformed from sn economic basket case into wbat will almost certainly be tbe fastest-growing economy in Europe this year. Yet tbe two political parties which have done most to steer Poland through the grinding process of economic transformation – tbe Democratic Union (UD) of Ms Hanna Suchocka, the outgoing prime minister, and the free market Liberal Democratic Congress (KLD) of former prime minister Jan Krzysztof Bielecki – are both trsiling in the opinion polls.

Mindful of the Clinton campaign's exhortation to concentrate on "the economy, stupid" both parties have sought, ineffectually, to capitalise on the positive aspects of Poland's economic performance. A stern-looking Ms Suchocka stares down from a poster with a caption reading weakly "The economy comes first", while the KLD is running a campaign praising foreign investment and promising a million new jobs over the next tbree years.

Bnt, in spite of the overwhelming visual evidence of brightly lit shopping streets, a boom in new car, colour television and washing machine sales, a rash of new botels and a million and a half private entrepreneurs hustling for business in s 60 per cent privatised economy, a bemused electorate is being bombarded by propaganda from a plethora of right- and left-wing opposition parties which portrays an economy in ruins run by criminals or incompetents.

This hizarre dichotomy leaves Mr Leszek Balcerowicz, tbe former finance minister whose 1990 shock therapy reform strategy abolished subsidies, made the zloty internally convertible and set tbe economy on course for recovery, unsure whether to langh or cry.

"The problem is that even successful reform carries a high price," be sighs.

Sitting in the spartanly furnished Warsaw offices of the Foundation for Economic Education, set up specifically to create greater economic awareness amoog non-specialists, the principal author and executor of Poland's reform programme adds: "The shift from disguised to open unemployment alone generates much discontent."

In Poland's case official unemployment has risen from practically zero, when factories and offices were full of full-time smokers, drunks and tea-makers, to 15.4 per cent of the workforce, over 2.8m people in August.

But even the high and still rising unemployment rate does not tell the full story. More than 8m Poles out of a population of 39m now receive a pension from the state. Pension subsidy payments have risen from 4 to 24 per cent of spending over the past four years. This is largely due to s sharp rise in invalidity pensions which were doled out to middle-aged workers in heavy industries such as steel and mining to smooth their dismissal.

Such workers were formerly the proletarian heroes of communist propaganda, with higher than average pay and perks. Statistics sbowing that pension payments bave risen simply do not wash with these unemployed former workers in the grim housing estates of the industrial cities. They are unable to buy the cornucopia of consumer goods now on offer and suffer the additional indignities of being splashed by the new rich as they zoom past the dilapidated tram stops in their shiny imported cars.

But envy and relative deprivation are not the only factors working in favour of a resurgence in electoral support for the revamped former communists of the Democratic Left Alliance (SLD) and the dissipation of votes among a gaggle of hysterical nationalists, irrational populists and rabid anti-communists who will fail to leap the minimum 5 per cent vote hurdle needed to enter the new parliament.

Around 40 per cent of Poles still live in rural areas. Farmers in particular resent the unfair competition from s European Community whicb restricts access to Polish farm goods hy both tariffs and thinly disguised protectionist moves such as this year's ban on meat imports from eastern Europe after a small outbreak of foot and mouth disease in the Balkans.

The former communist-aligned Peasants party (PSL) is pulling in support on the basis of s pledge to build an EC-type tariff wall around Polish farmers to recoup their falling incomes and protect them from unfair subsidised EC competition.

"The EC has a douhly malign influence on Polish politics. Unwillingness to open the European market to sensitive goods like steel and textiles raises unemployment, while the level of EC protectionism permits critics of the pro-market Liberal Democrats [KLD] in particular to accuse them of naivety and ignorance of the real world," Mr Balcerowicz says.

Tbe timing of the unplanned, early elections is also unfortunate for the ruling parties. The enormous political capital built up by the Solidarity movement by its victory over the communists in 1989 evaporated fast. Solidarity disintegrated in a welter of unseemly personal squabblea as realiaation dswned that tbe institutional changes needed to consolidate the transition to a market economy would be both long and painful.

For many, the pain still outweighs the gain. Rising output has been accompanied by soaring productivity gains of around 11-13 per cent this year. But growth only resumed a year ago after three tough years of overall decline. Real wages, which the World Bank estimates dropped by 3 per cent net of tax in the 12 months ending July, remain very low while prices have soared to world levels.

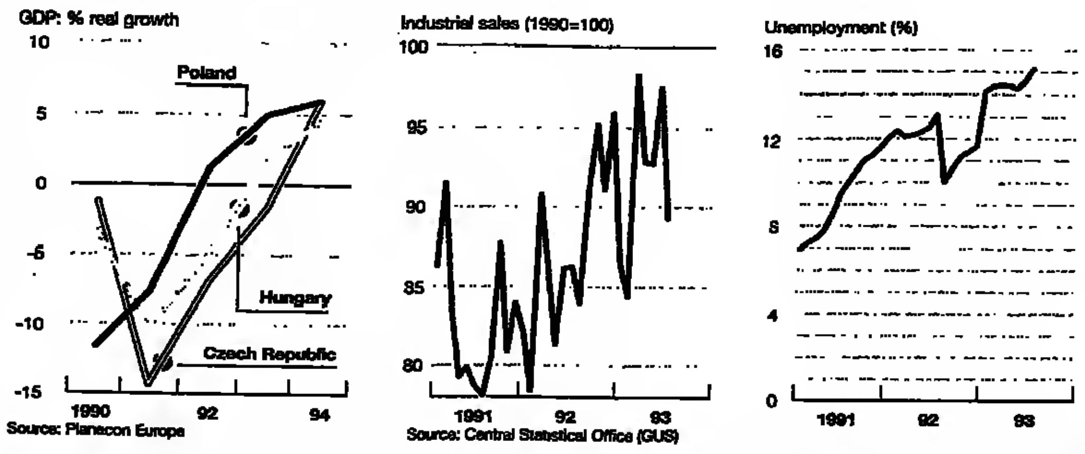
The "feel bad" factor cannot have been alleviated hy economic developments stnce the dissolution of parliament at the end of May. On July 5 the caretaker government introduced valued added tax with a 22 per cent top rate and on August 27 it devalued the zloty by 8 per cent in an attempt to boost declining exports and compensate for tbe import boom which preceded tbe introduction of the tax. (A 27 per cent rise in imports and a 7 per cent drop in exports led to a record $1.4bn trade deficit over the first seven months.)

Technically, the smooth introduction of VAT, and the broadening of the tax base which results from it, will belp to improve the sustainability of tbe economic recovery. Higher revenues will also help Poland keep within the IMF guidelines necessary to attract foreign investment and finance a future $12bn debt reduction and rescheduling agreement witb the commercial banks.

In the short run however tbe combination of higher taxes and devaluation will sdd to tbe squeeze on incomes and make it difficult to reduce inflation from around 35 per cent a year at present.

Which is why, as election day looms on Sunday, the government parties look gloomy, and tbe reformed communists are quietly expecting to become cock of the electoral roost.

Poland's path to recovery



Source: Planecon Europe

Source: Central Statistical Office (GUS)

Trevor Humphries

Outgoing premier Ms Hanna Suchocka: gloomy prospects

Ex-communists get it right with wrong message

By Christopher Bobinski

IT WAS the sort of message that goes down well with the World Bank and foreign investors. "Creating a free market is too serious a business to leave to right-wing liberals."

However, tbe apeaker, Mr Zbigniew Siemiatkowaki, an election candidate representing Poland's neo-communist Democratic Left Alliance (SLD), was listened to with only polite attention by the audience of diehard communists, sgeing workers and pensioners who had gathered in the town of Ciechanow, north of Warsaw, for his campaign meeting.

With 40 years of party discipline behind them, they can be relied on to turn up at the polls on Sunday to vote for Mr Siemiatkowski, while around half of the Polish electorate is likely to stay at home.

The mainly grey-haired audience has no desire to see the demise of Clecbanow's new shops, full of attractively packaged Polish products alongside expensive imported goods. But at the same time they want higher pensions, better health care and secure jobs for their children.

At the 1991 elections, Mr Siemiatkowski won 16 per cent of the vote when the unemployment rate in Clechanow province was 17 per cent. It has since risen to 22 per cent, with peaks of up to 56 per cent in the towns, where the closure and scaling back of state enterprises have greatly sxceeded the creation of jobs by service industries and small businesses.

On Sunday the SLD expects to gain around 25 per cent of the vote, provided the discontented do not opt for more radical alternatives with barely disguised anti-Semitic and xenophohic undertones, such as Samobrona, the rural "self-defence" party, or Party X, headed by Mr Stan Tyminski, the populist Polish-Canadian, wbo gained more than 3m votes when he stood against President Lech Walesa in the 1990 presidential elections.

Keeping his party together in the face of radical siren songs from both right and left promises to prove a difficult task for Mr Alexander Kwasniewski, the SLD leader. These strains first emerged earlier this year when he persuaded his party to support the coalition government in a vote for mass privatisation involving foreign investment managers.

Mr Kwasniewski, a 39-year-old pragmatic former reform communist who played a key role in the peaceful handover of power to Solidarity in 1989, knows the SLD's internal divisions would widen if it wins enougb votes on Sunday to become part of a future centre-left coalition government.

He would then have to satisfy the aspirations of his core supporters for more social security spending and job creation schemes. But this would lead to higher inflation and destroy the party's credihility as a genuinely modernising force.

Mr Kwasniewski knows that it will take time before economic growth can deliver the higher living standards his voters are looking for. So no matter how many votes his party wins on Sundsy Mr Kwasniewski now says that he will only take part in a future coalition if it enjoys s majority strong and stable enough to rum s full four-year parliamentary term.

What he wants to avoid at all costs is to share the responsibility of power in a weak coalition with the prospect of having to face early elections before the economy is shle to deliver the goods.

Congress Republicans set out health plans

By George Graham in Washington

REPUBLICANS in the US Congress yesterday produced their proposals for health care reform, pre-empting the formal announcement of President Bill Clinton's plan by a week.

But tbe reform plans, announced separately by Republicans in the Senate and the House of Representatives, differ almost as much from each other as they do from Mr Clinton's blueprint, and both groups said they were willing to work with the administration.

On the Senate side, a Repnblican task force led by Senator John Chafee of Rhode Island laid out a proposal intended to phase in universal health coverage by the turn of the century and to slow the growth of medical costs.

Mr Chafee said his plan would set up a standard bealthcare benefits package, to be established by a national commission, and would create healthcare purchasing co-operatives. These co-operatives, however, would be voluntary, unlike the Clinton proposal for "regional health alliances," which would require everyone in their geographical area to enrol, except for companies with more than 5,000 employees.

The plan would aim to cut the annual rate of growth in government spending on its existing Medicare and Medicaid programmes, which provide health coverage to the elderly and the poor, respectively, to 7 per cent, compared with 12 per cent today.

Senator Kit Bond, another of the architects of the plan, said it wonld make health insurance premiums tax deductible up to a set limit for individuals, including the self-employed. As savings began to be realised, vouchers could be phased in to help the less well-off buy insurance.

While the Republican Senata plan would require everyone to buy healtb insurance – much as drivers are required to buy car insurance – the Republican House plan would oblige businesses to offer a health plan to their employees.

Neither Republican proposal would force employers to pay for the coverage, unlike the Clinton plan, which would require employers to pay 80 per cent of the premiums (although there would be caps for small businesses.)

The Republican House proposal would oblige businesses to offer employees a health plan

The House Republicans plan for extending health insurance to the estimated 37m people who have none is a tax-free "Medical Savings Account," aimilar to the Independent Retirement Accounts allowing tax-free pension savings.

The plan suggests allowing people to keep any unused money from these accounts at the end of the year, so giving people a financial interest in a more economical consumption of medical services.

The Republicans have a credibility problem on health care, to judge by opinion polls which show them to be much less trusted than the Democrats by voters on this issue.

This may help account for the somewhat tentative offerings yesterday, wbere both House and Senate Republicans acknowledged that their plans were not the final answer.

"We are not here to criticise the administration's draft," said Senator Robert Dole, the Republican leader.

The administration, meanwhile, sought to allay the fears of the health industry that its efforts to consolidate or share equipment and co-operate on services could rnn foul of antitrust law.

The Justice Department laid ont guidelines which clarify the sorts of merger and joint venture that would normally be safe from antitrust challenge. These include hospital mergers where one bospital has fewer than 100 beds, fewer than 40 patients a day and is over five years old: joint ventures to buy expensive equipment, and physician networks with less than 20 per cent of the doctors in any specialist field and any geographical area.

Canada Liberals pledge to renegotiate Nafta

By Bernard Simon in Ottawa

CANADA'S opposition Liberal party has pledged to renegotiate the North American Free Trade Agreement and the 1989 US-Canada Free Trade Pact if it wins the October 25 general election.

The country's Liberals yesterday issued their policy platform, which also includes a planned shift in government spending priorities away from defence and grants to business, in favour of apprenticeship and other training programmes, research and development and expanded child-care subsidies.

The Liberals are at present slightly ahead of the ruling Progressive Conservatives in public opinion polls. However Mr Jean Chrétien, their leader, trails well behind prime minister Kim Campbell in personal popularity.

Many seasoned political observers predict that the most likely election outcome is a fragmented parliament with neither of the two main parties able to muster an outright majority.

Besides the net savings from the switch in public spending priorities, the Liberals are relying on accelerating economic growth to bring down tbe federal budget deficit from 5.2 per cent to 3.0 per cent of gross domestic product by 1998.

The Progressive Conservatives have promised to eliminate the budget deficit, which stood at C$35.5bn (£17.44m) last year, within the next five years. But they have yet to spell out precisely how this thorny task will be achieved.

According to their policy document, the Liberals would seek to include a subsidy and anti-dumping code in the free trade agreements, and to set up a "more effective" dispute settlement mechanism.

A Liberal government would also aim to secure the same protection for Canada's oil and gas producers as that enjoyed by the Mexican energy industry.

A Liberal Party official said yesterday that Mr Chrétien would visit Washington soon after the election, in the expectation of making a "convincing case" to the Clinton administration to re-open the free trade agreements.

The Liberals are vague, however, about what would happen if the Americans and Mexicans turned down their demands.

The official said that any decision on whether to implement Nafta as it stands, or to abrogate the two agreements would be up to the cabinet.

According to the policy document tbe bulk of the savings in puhlic spending under a Liberal government would come from the cancellation of Canada's C$5.8bn order for 50 European designed EH-101 helicopters, which are huilt hy the UK's Westland Group.

Ms Campbell earlier this month said the Conservatives would cut the helicopter order from 50 to 43 aircraft if she was returned to office.

Tony Andrews

Nervous tourists at Heathrow read of the British holidaymaker murdered this week in Florida

A lifebelt for Brazil's urban poor

The street economy is worth $490bn, says Christina Lamb

WALKING along tbe main commercial thoroughfare of Rio de Janeiro is a daily battle. Pedestrians bump and curse along pavements packed with stalls selling everything from sink plungers and hair grips to video games and computer parts, which in the past three years have transformed the centre of Rio into an enormous bazaar.

Much of what is sold looks like junk. But, according to the Inland Revenue (RF), Brazilian streets are paved with gold. A recent RF study found that the informal economy, including prostitution, drugs and illegal gambling, moves around $490bn a year – more than the country's entire gross domestic product.

Brazil has the world's biggest gap between rich and poor

A nationwide phenomenon, the underground economy is most visible in Rio, which has up to 200,000 stalls (or *camelôs*, as both stalls and stallholders ara known) and São Paulo, which has an estimated 160,000 – five times the number of shops.

Mr Rodrigo Lopes, economic development secretary for Rio, says: "It is a phenomenon of urban sociology which happens in any big city bnt here is intensified hy misery, recession, lack of welfare and an excessive tax system."

Brazil has the world's higgest income gap between rich and poor, soaring unemployment (São Paulo has 1.14m unamployed), a recession which has seen per capita income drop 10 per cent in three years, and a complete absence of any welfare system.

Sociologists struggling to explain the lack of social unrest in such a country often seize upon the hurgeoning informal economy. Mr Carlos Lessa, professor at Rio's Federal University, says: "It's a non-institutional lifebelt that society has created to survive."

Mr Márcio dos Santos, selling knives and scissors in his regular spot directly outside a hardware shop on Rua Uruguaiana, is a former florist who lost his job and needed a quick way to support his wife and four children. Now earning Cr200,000 ($10) a day, he says: "It's a much better living than I got in the florist's. It's 100 per cent profit."

But it is not always a question of survival. The *camelô* explosion has thrown up entrepreneurs who run networks of 40 or more stalls, even supplying hot meals to their salesmen. Their wares are often stolen goods or contraband, smuggled high-tech items otherwise unobtainable because of Brazil's strict import laws.

Despite its disorganised appearance the *camelô* business is rigidly controlled, with formal representatives and each stallholder assigned his own territory, for which, in some cases, rent must be paid. When cash-starved local governments, frustrated hy the sales tax slipping through their fingers, periodically send in police and tax inspectors, the stallholders often respond with gunfire.

Mr Cesar Maia, the new mayor of Rio, says: "The problem is that urban disorder has become structured and developed a new order." Rejecting the heavy-handed approach, his administration has developed a four-year strategy working on three fronts. First it is making it easier to obtain licences, allowing people to set up businesses in their homes, previously prohibited, and giving tax exemption for small businesses.

At the same time the administration is working with police to locate and seize clandestine deposits of merchandise. It is also moving into areas at night and closing them off so *camelôs* cannot come in. Instead, small markets will be created for a limited number of licensed stalls.

By contrast, São Paulo has resorted to police action to force stallholders off the streets.

In fact *camelôs* are just a fraction of the informal economy. Mr Lessa estimates that 40 per cent of the workforce of Rio is involved in "non-regulated activities", wbether transport, repairs, or running illegal lotteries. São Paulo even has a fleet of 2,000 clandestine buses.

More of the formal economy has stopped paying taxes

In the past two years more of the formal economy has stopped paying taxes, partly because of recession but also because of the heavy burden and complicated system.

So most businesses run a *caixa dois* (second cash register) or parallel accounting system, and restaurants and shops rarely give proper receipts. Many *camelôs* belong to shops, selling their wares to avoid sales tax.

Mr Paulo Protásio, head of the Rio Chamber of Commerce, says: "*Camelôs* are just the visible tip of the whole fiscal iceberg. If I pay a salary of $200, the worker only receives $70 and the rest goes in taxes and contrihutions. It is almost impossibla to make money legally and we are destroying the formal productive system."

Task force for US telecom future

THE US administration yesterday set up a task force to co-ordinate government and private sector efforts to develop new "electronic highways" for voice and data communications, writes George Graham.

Vice-President Al Gore said the task force would review federal laws and rules governing the telecommunications market – many of them dating back to the 1930s – and seek to speed creation of a national information infrastructure.

The plan Mr Gore announced yesterday outlines a future of telecommuting, long-distance education, interactive television and widespread access to databases through a network of cable and satellite links.

"It's critically important to the economic future of the United States," Mr Gore said.

The task force is expected to conduct a thorough review of the Communications Act of 1934, which casts a dominating shadow over tha entire telecommunications field.

Designed in the daya of a monopoly telephone company, the act is based on a principle of universal access which has been somewhat overtaken by technological developments.

Mr George Fisher, chief executive of Motorola and chairman of the Council on Competitiveness, a business grouping, yesterday welcomed the admlniatration's policy announcement.

St Louis bank cuts interest rates

THE Sonthwest Bank of St Louis, which in the past has acted as a bellwether for bank lending rates in the US, yesterday cut its prime rate by a quarter of a percentage point to 5.75 per cent, its first cut since July 1992, writes Richard Waters in New York.

Most other banks failed to follow suit, and several of the biggest commercial banks said they had no intention of cutting their prime rates. However, after two years in which US banks have rebuilt tbeir lending margins, the move aeemed an early sign that these are likely to come under pressure soon.

The Southwest Bank of St Louis said its cut reflected a weakening of the US economy. The higher tax rates imposed in this summer's budget are also likely to weaken small businesses further, said Mr Drew Bauer, chairman.

Bank lending margins grew from just over 4 per cent in 1990 to 4.5 per cent last year, partly as a result of the large gap during that period between short-term and long-term interest rates, but also because banks raised their margins to rebuild reserves.

Most banks have now seen a sharp improvement in their financial position but are still experiencing weak demand, suggesting that they may begin cutting lending margins again to win business.

Cars pact signed

By Joseph Mann in Caracas

COLOMBIA, Ecuador and Venezuela have signed an agreement aimed at strengthening local vehicle assembly industries and discouraging imports of complete vehicles.

The agreement sets common external tariffs on imports of complete vehicles ranging from 15 to 35 per cent, and 3-5 per cent duties for imports of complete knock-down kits (CKDs). The three countries also will ban imports of used vehicles, or new vehicles from earlier model years.

The accord will take effect on January 1 for Colombia and Venezuela, and later in 1994 for Ecuador. The pact will cover about 70 per cent of the Andean vehicle market, which includes Bolivia, Colombia, Ecuador, Peru and Venezuela.

Lower trade barriers in the three signatory nations have hit domestic assembly plants as imports of fully-assembled vehicles have grown sharply in recent years.

Argentina sees strong economic growth and record low inflation

By John Barham in Buenos Aires

ARGENTINA forecasts record low inflation, continued strong growth and a smaller trade deficit in its 1994 budget, sent to Congress on Tuesday evening.

Economy minister Domingo Cavallo once again plans to balance tha federal government's books. Rock-solid government finances were one of the keys to suppressing hyperinflation and unleashing rapid growth.

Mr Cavallo has trimmed spending slightly hy $4.8m to $39.98bn – equivalent to a 10 per cent cut in real terms. Nonetheless, he has used big savings on dabt service paymanta and subsidiea to increase spending on education and social services.

The 4 per cent inflation forecast is the lowest in the country's recent history

One of the hudget's key assumptions is a forecast 4 per cent inflation rate, the lowest in Argentina's recent history. Independent economists believe this is attainable and sbould strengthen confidence in the ability to sustain Argentina'a fixed exchange rate.

Low inflation, plus continued economic liberalisation, is expected to generate 6.5 par cent economic growth.

If this objective is met, it will bring Argentina's accumulated growth rate to over 30 per cent since Mr Cavallo took office in January 1991.

The hudget forecasts 1994 GDP at $285.31bn, giving Argentina income per head of $8,800 – the highest in Latin America.

Despite strong growth, Mr Cavallo expects the trade deficit to fall by almost half from a projected $3bn this year to only $1.81bn in 1994.

Social services are the biggest spending item, with $25.66hn – 3.7 per cent more than last year. Spending on education will rise 20 per cent to $2.44bn.

The defence budget, which includes the armed forces and paramilitary security services, is set at $3.58bn, up 14 per cent.

The interior ministry's budget is halved to $720m.

Desplte rising budgets and aggressive privatisation and deregulation programmes, the quality of government services has not improved substantially. Schools, hospitals, the police force and the justice system are plagued hy waste, corruption and inefficiency.

هكذا من الأصل

French warn of crisis over farm accord

By Andrew Hill in Brussels, David Buchan in Paris and Deborah Hargreaves in London

MR JEAN PUECH, the French agriculture minister, warned yesterday that the "spectre of crisis" would be released if the EC did not agree to renegotiate last November's US-EC farm trade accord.

Mr Puech is engaged in a frenetic round of diplomacy with his EC partners ahead of Mnnday'a special meeting nf EC foreign and farm miniaters in Brussels.

Yesterday be met Mr René Steichen, EC farm commissioner, before flying on to Madrid for talks with his Spanish counterpart.

Mr Puech told journalists in Brussels that Spain, Germany and Italy were rallying behind the French position.

Mr Steichen told the minister that the European Commission would do "everything in its power" to try to solve the political problem over tbe EC-US farm trsda accord, named Blair House after the Washington mansion wbere it was aigned last November.

A spokesman for Mr Steichen said the two men had discussed the possibility of "completing and clarifying" tbe Blair House agreement, which is supposed to be a cornerstone nf a wnrld trade pact. Mr Puech welcomed what he said were "positive developments" and said Mr Steichen was "completely open" to the French position.

in separate talks, Sir Leon Brittan, the EC trade commissioner, stressed to Mr Günter Rexrodt, Germany's economics minister, the importance of keeping open the line of communication with the US.

Sir Leon talked to his US counterpart, Mr Mickey Kantor, in Washington earlier this week, but he did not propose changes to the Blair House deal.

The Commission is treading s difficult diplomatic path in its attempt to avoid offending France or the US.

Members of France's main wildcat farm union, Coordination Rurale, succeeded yesterday in sporadically blocking some roads and rail lines around Paris, but highway officials said the disruption was less than that in tbe recent national return from the summer holidays.

Using what tbeir leaders called "Vietcong guerrilla tactics", small groups of Coordination Rurale members started in the early hours of yesterday morning putting up blockades, often at highway tolls where cars bave to stop anyway. They mainly relied on pushing lighted rubber tyres onto roads and some rail lines – including that carrying tbe high-speed TGV-Atlantique between Paris and Tours – but in a few places they briefly blocked roads with cars and tractors.

Some FNSEA pig farmers joined in the action yesterday, temporarily blocking the Paris-Lyons rail line with straw bales, but tbe FNSEA and CNJA have timed their anti-Gatt demonstration for next Monday, wben EC ministers meet in Brussels to discuss the EC-US farm deal.

Chancellor Helmut Kohl is also expected to discuss the Gatt farm issue with President François Mitterrand when the German leader comes tn Paris next Monday, it was announced in Bonn yesterday.

Mrs Gillian Sbephard, UK agriculture secretary, said yesterday the UK would strongly object to any backtracking on the Blair House agreement.

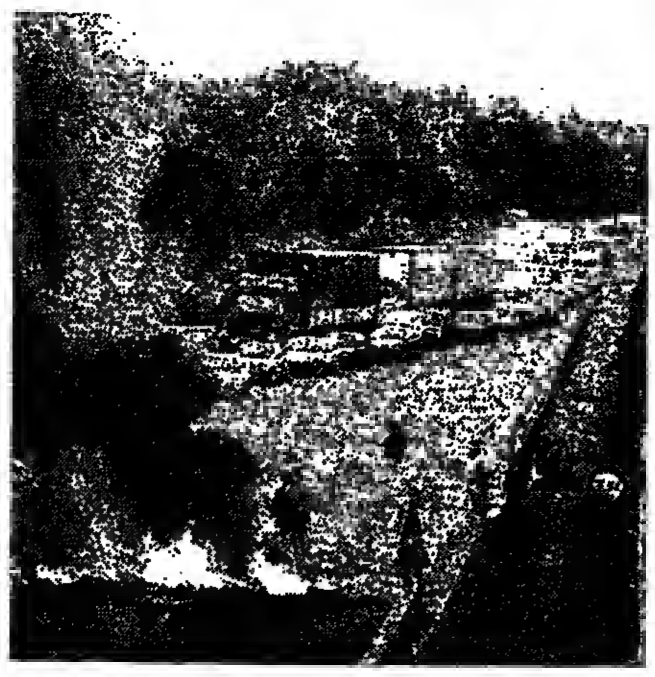
"If you try to re-negotiate bits of it, the whole package could come unravelled with implications for other industries as well as agriculture," Mrs Shephard said.

Tbe Blair House deal agreed last November cuts subsidised exports of wheat and other farm products by 21 per cent over 6 years.

France wants to improve the terms of the accord, agreement on which holds the key to successful completion of the Gatt Uruguay round talks. It has some support for its position from Spain and Ireland.

Mr Rexrodt said there was room for clarification nn Blair House and boped the French would be able to fulfil their interests within the accord.

Altbough German farmers are putting some pressure on their government ahead of Monday's council meeting, the UK farm lobby has come out in support of Blair House.



Associated Press
French farmers block a motorway into Paris by burning tyres

EC textile imports will rise, says report

By Daniel Green

TEXTILE and clothing imports from outside the EC will increasingly dominate European markets over the next few years, says a market report*.

Commissioned by Messe Frankfurt, organiser of one of the world's largest textile exhibitions, the report says that by 2001, 70 per cent of the EC's consumption of 8.8m pieces of clotbing will be imported. In 1991, 54 per cent of the 6.4m garments sold in the EC were imported.

Much of the change will result from new retailing patterns in southern Europe, where only a small proportion of clothes is now imported from outside the EC.

Some 64 per cent of clothes imported from outside the EC are today sold through price-conscious chains prepared to organise large-scale imports. But while such chains dominate in northern Europe, they are only beginning to penetrate Mediterranean countries such as Spain and Italy.

Rising wages in southern European countries will also help to push production to lower-wage countries.

European manufacturers are responding through outward process – in which up to 49 per cent of the manufacturing is in low-labour-cost countries, usually in eastern Europe or north Africa. This still allows the garment to be labelled as being manufactured within the EC.

Italy is and will remain the biggest clothing prodncer, with nutput more than twice any other EC country's.

The forecasts assume any new Gatt agreement will not include measures to protect the European textile and clothing industries.

The Textile and Clothing Industry in the EC until 2001. Kurt Salmon Associates. £100.

Big Bang ends in a whimper

Unctad challenges shock reforms in E Europe, says Frances Williams

TRADE PROTECTION, weak commodity prices and high levels of indebtedness continue to dog the development efforts of many poor countries, the United Nations Conference on Trade and Development says in its annual report published today.

In a controversial challenge to current economic ortbodoxies ahead of the IMF/World Bank meeting later this month, Unctad calls for fiscal reflation combined with a one-off wealth tax to pull the industrialised nations – and the global economy – out nf recession. It also questions the shock therapy prescription for developing and former communist countries.

Growth in the developing world was a healthy 4.4 per cent last year and is expected tn maintain that pace in 1993, the report says. However, the atrong performance of east and south-east Asia is in sharp contrast to stagnation elsewhere, especially in sub-Saharan Africa.

The report also warns that recent economic expansion in Latin America has been fuelled by large-scale short-term capital inflows which may not be sustainable.

Unctad, the main UN body for discussing north-south issues and a consistent critic of laissez-faire capitalism, says industrialised countries need a co-ordinated reflation to boost demand and cut unemployment. High budget deficits and government debt, which now constrain expansionary policies, should be reduced through privatisation and a levy on private financial assets.

Recession in industrialised countries bas nurtured protectionism at the same time as msny daveloping countries have been liberalising trade regimes, tbe report says. It estimates that a fifth of developing country exports to tbe ricb nations are covered by non-tariff barriers to trade, sucb as quotas, "voluntary" export restraints and anti-dumping actions. For products excluding fuels the ratio rises to nearly a quarter and for textiles it reacbes over 70 per cent.

Over the past twn years alone, devaloping countries have lost s sixth of their commodity export earnings due to falling commodity prices, it says continuing a decline that began in the 1980s. For Africa the earnings loss was nearly a quarter and for Latin America one-fifth.

Unctad adds that although the international financial system is no longer in danger the debt crisis is not over. More than 60 countries, especially in sub-Saharan Africa, are in arrears with their foreign creditors and the debt of some former socialist countries, notably Russia, poses new challenges.

For developing countrias Unctad urges bigger reductions in official bilateral debt, rescheduling of debt owed to multilateral institutions such as the World Bank, and more pressure on private creditors to agree debt reduction.

It also calls for a comprehensive programme for Russia's $78bn (£50bn) foreign debt, over half of which is owed to governments. This mlgbt include extra aid or debt relief in return for a cut by Russia of its claims on other tronbied debtors, including former Soviet republics.

Looking at the factors which propel growth, Unctad argnes that east and south-east Asian economies have built their success on trade, investment and strong government support to private business and exports. The success of gradual economic reform in China, which notched up growth of about 13 per cent last year, also casts doubt on the conventional wisdom concerning transformation of planned economies.

China has introdnced market-based reforms without formal privatisation of atate-owned enterprises while a dual price system has until recently kept inflation under control and so avoided disruptive stabilisation programmes.

By contrast, Unctad says, the formerly socialist countries of central and eastern Europe have tried "big bang" reform througb abrupt liberalisation, deregulation and privatisation. Since the beginning of the transition process output has declined on average by a third.

Many of these countries now find themselves in "a twilight zone wbere there is neither plan nor market", says tbe report arguing that government intervention is needed to give shape to the new market system and to cushion tbe transition.

The Asian experience shows export success requires not only "getting prices right" but also "active government support and. . . well-targeted protection of domestic producers". In sub-Saharan Africa, the report says a decade of structural adjustment programmes have failed to reverse economic decline. Per capita incomes are still falling and remain below 1970 levels. "On current trends it would take 70 years to double them," even in countries undertaking intensive adjustment measures.

Trade and Development Report 1993, UN Sales Section, Palais des Nations, CH-1211 Geneva 10 (Sales No. E.93.II.D.10), $45.

WORLD OUTPUT 1980-1993 (% CHANGE)

Country (annual average)	1980-90	1991	1992	1993*
World	2.8	0.4	1.4	1.4
Developed market economies	2.7	0.7	1.4	0.8
of which:				
US	2.5	-1.3	2.1	2.0
Japan	4.2	4.4	1.3	1.0
EC	2.3	1.4	1.1	-0.5
Central and eastern Europe**	1.9	-14.9	-15.9	-12.0
Developing countries	2.9	3.9	4.4	4.6
of which:				
America	1.0	3.6	3.0	2.7
Africa	1.9	2.5	1.5	3.0
Asia	4.6	4.5	6.0	6.2
China	8.9	6.6	12.8	11.0
World Trade (volume)	3.7	3.0	4.5	5.6

*Forecast **After 1990, the former German Democratic Republic is included in Germany

Source: UNCTAD

Satellite first for new entrant

By Daniel Green

A US-Russian joint venture to sell satellite launches on Russian rockets has won its first contract, Daniel Green reports from London.

Lockheed-Khrunicbev-Energia International (LKEI), competing against Arianespace, McDonnell Douglas and General Dynamics, has won an agreement to launch up to five satellites built by Space Systems Loral, a US satellite builder.

Launches on Russian satellites cost about two-thirds tbose on western launcbers.

UK shipbuilder's victory in Israel

Ferguson Shipbuilders, the Scottish shipyard, bas won a court battle in Israel which sbould mean that it gains a £9m order to build two tugs for Israel Electric for use in the Israeli port of Hadera, writes James Buxton.

Ferguson bad submitted a tender 23 per cent lower than Israel Shipyards, but the state yard was awarded tbe deal.

Fiat signs Polish factory deal

Fiat Auto and the Polish government yesterday signed agreements finalising the Italian motor car producer's takeover of the FSM factory in southern Poland, five days before the country's general election, Christopher Bobinski writes from Warsaw. The project is said to be worth $2bn.

Telecom row sours ANC call

By Philip Gawith in Johannesburg

THE difficulties faced by foreign investors in South Africa are unlikely to end with the call to lift sanctions by the African National Congress, expected any day now.

While the stigma of doing business with South Africa will at last have been removed, the green light for investors risks being undermined by a damaging dispute between the government and the ANC over cellular telephone licences.

The issue has become so serious that Mr Nelson Mandela, the ANC leader, and President F W de Klerk this month held a meeting purely on this subject. The cabinet was yesterday preparing to authorise issue of the two licences which on Tuesday Mr Cyril Ramaphosa, ANC secretary general, warned would be reviewed and possibly revoked by a new government.

Vodafone of the UK has a 35 per cent stake in Vodacom, one consortium expected to win a licence. The public utility Telkom has a 50 per cent stake and Rembrandt 15 per cent. The other consortium likely to be successful includes Cable & Wireless. The two winners will run competing services.

Although the ANC says it is not opposed to cellular telephone networks, it has raised numerous objections to the way in which the government is issuing the licences.

The ANC maintains the government is proceeding with "unilateral restructuring" of the economy, that is trying to privatise the telecommunications network, and that the technology chosen is too expensive and unsuitable for South Africa.

Within the government and the business community these reasons are widely dismissed as a fig-leaf for objections that are purely political – that government money should no longer be spent without the ANC's agreement.

There is also a more insidious suspicion that the ANC is trying to delay the issue of the licences in order to allow various US and Scandinavian companies to participate when sanctions in those countries are lifted. There have even been unsubstantiated suggestions that the ANC expects financial contributions from successful bidders.

On the ideological level, the ANC believes cellular phones should be run by the state – and subsidised if need be – while the government sees them as a means of introducing competition into the telecommunications sector. It also sees a cellular network as the cheapest and quickest means of offering most South Africans access to a telephone.

The message to foreign investors will be clear and unpalatable: the ANC remains an organisation that favours state over market, and South Africa remains a country where political interference can be expected in business decisions.

If the government presses ahead with awarding licences, there must be some doubt as to whether those chosen will proceed while the security of their investment remains in doubt. Each licence is expected to involve the investment of about R1bn ($294m), with an estimated R700m of this coming from abroad.

In South Africa telephone penetration (fixed phones per 100 people) is only 9.6 (about 2.4 in the black community; ten times that among whites). This compares to only 1.5 for the rest of Africa but to an average of about 50 for developed countries.

The tender documents stressed that a criterion which would "weigh heavily" was the extent to which the applicant was prepared to provide telephone services to the underdeveloped part of the community, almost certainly at subsidised tariffs.

Vodacom's plans include introducing at least 22,000 subsidised card-operated community telephones to over 60 township and rural areas. Mr Alan Knott-Craig, chief executive, argues: "It took us 100 years to provide 1 per cent of blacks with telephones. Within five years we aim to provide 10m South Africans with meaningful access to telephones."

Reuter

South African police open fire on taxi drivers and an angry crowd hundreds-strong in Cape Town yesterday, to prevent a blockade of the city centre in protest at increased petrol prices

Egypt to hang two Moslem militants

AN EGYPTIAN military court sentenced two Moslem militants to hang and four to life imprisonment yesterday for trying to assassinate an army general, Reuter reports from Cairo.

The controversial military courts have now condemned 27 militants to death since President Hosni Mubarak resorted to them last December to ensure swift punishment for militants carrying out acts of violence aimed at toppling the government.

Fifteen of the condemned men have been hanged, five are in custody and seven are fugitives.

The two sentenced to death by a three-judge court in Cairo yesterday were among eight accused of trying to kill army General Osman Shahin in an ambush in Cairo on July 18.

The general escaped unhurt but six people, including a policeman and a militant, were killed in a shootout.

The young men were members of the militant el-Gama'a el-Islamiya (Islamic Group) which has claimed responsibility for many of the bomb attacks in Egypt's worst political violence for a decade.

Egypt has been criticised by human rights groups in recent months for carrying out its largest wave of executions for political crimes in decades.

At least 193 people have now been killed in political violence since March last year and 510 injured. The $3bn tourism industry has been devastated by militant attacks.

Jordan fears it may be left in the cold

West Bank trade is high on Amman's list of priorities, James Whittington writes

THE SPEED with which Jordan ratified its "agenda" for peace with Israel, after months of waiting for the Palestinians to hammer out a settlement, indicates the kingdom's concern that it may get left behind in any Middle East economic regeneration.

Having the longest common border with the occupied territories and with over half its population of Palestinian origin, Jordan has been perceived for many years as vulnerable to the Arab-Israeli conflict. The country is now in an ideal position to benefit from rapprochement, yet the government fears it will be economically marginalised under the present terms of discussion.

The West Bank and Gaza Strip are potentially lucrative markets for Jordan. The kingdom currently imports around $30mworth of goods a year from the occupied territories. Government officials complain, however, that trade prospects are hindered by Israeli constraints which will impose a $15m ceiling on Jordanian imports.

Further, they say that the Israelis are pushing for goods sold by Jordan to the West Bank and Gaza to be restricted to those exempted from Israeli tariffs. "This basically leaves us with little else but headdresses and henna to sell," jokes Mr Jawad Anani, a minister of state.

Jordanian officials fear that Israel will continue to impose itself economically on the occupied territories. A recent World Bank report on the economic development of a Palestinian entity assumes that the monopolistic relationship of Israel over the occupied territories will continue.

> 'It will leave us little but henna and headdresses to sell,' a minister jokes

In Jordan's "agenda" with Israel, trade with the West Bank and Gaza is said to be high on the list of priorities. Crown Prince Hassan says that free trade is the ideal. But Jordan's view that Israel intends to use a Palestinian entity as a Trojan horse to enter the Arab market, in tandem with Israel's protectionist stance over the occupied territories, bodes ill for future economic relations.

The crown prince says a development plan for the region should be drawn up among all parties. He criticises the international community for restricting development aid to the West Bank and Gaza Strip and calls on the World Bank and other international institutions to reassess the development needs of the whole region.

"Unless a regional perspective is sought which includes the Syrians, Lebanese, Iraqis and Jordanians, then the $60bn economy of Israel will take the initiative to develop the hinterland, which is totally unacceptable politically as well as economically," he says.

He further expressed concern that development ideas such as the construction of an oil pipeline from Eilat on the Israeli side of the Red Sea to the Mediterranean and a proposed canal from the Mediterranean to the Dead Sea will be detrimental to Jordan and the region as a whole. "You can't continue to ignore us [in such discussions] yet at the same time expect us to participate in peacemaking," he warns. Having weathered the Gulf crisis along with a virtual embargo on Jordanian goods by the Gulf states, the kingdom's tiny economy (GDP was $4.8bn last year at current producer prices) has proved itself resilient. Thanks partly to remittances from Palestinians expelled from the Gulf, real GDP growth was over 11 per cent in 1992.

But fears that the kingdom will be restricted from entering markets in the West Bank and Gaza which Jordanians feel are rightly theirs could strain relations with the Palestinians as well as the Israelis.

Chad sacking points to rift with president

CHAD'S President Idriss Deby has sacked his finance minister and accused Mr Fidel Moungar, transitional prime minister, of acting irresponsibly, Reuter reports from N'Djamena.

In a speech indicating a growing rift between the presidency and the transitional government, Mr Deby said he had sacked Mr Robert Roygam as finance minister and given his portfolio to Mr Abderamane Izzo Miskine, currently trade and industry minister.

Mr Deby said Mr Moungar had "permitted and even encouraged behaviour and acts contrary to governmental etiquette" by Mr Roygam.

Mr Deby, who overthrew President Hissene Habre in 1990, has pledged to bring democracy to Chad.

Zaire facing its 'worst human rights crisis'

AMNESTY International accuses Zaire's security forces today of appalling human rights violations and urges the international community to intervene before there is a complete breakdown of law and order, Reuter reports from London.

Amnesty says in a report that Zaire is facing its worst human rights crisis since the end of the civil war in the mid-1960s. It cites "ruthless brutality of government security forces . . . who have murdered or tortured thousands of civilians and members of the peaceful political opposition". The report, "Zaire: Violence against Democracy", calls on the international community to devise ways to end the crisis.

State Bank of Pakistan goes independent

By Farhan Bokhari

MR MOHAMMAD YAQUB, governor of the State Bank of Pakistan, has been handed a formidable task. The central bank is to become independent following a decision by the cabinet of Mr Moeen Qureshi, caretaker prime minister.

A presidential ordinance due within days is expected to give powers to the bank to set its own monetary and administrative agenda in an effort to end manipulation by government officials, politicians and businesses.

Mr Yaqub, who has had a career with the International Monetary Fund, took up his position in August after Mr Qureshi, also a former IMF and World Bank official, was appointed following the resignation of Premier Nawaz Sharif.

Mr Yaqub, an economic adviser to the finance ministry under Mr Sharif, became alarmed about the growing budget deficit. "The ordinance is not going to make us a Bundesbank. We are trying to get closer to what central banks are in most developing countries," Mr Yaqub said in an interview.

Independence is intended to help prevent the bankrolling of profligate public spending.

"You have a situation where the government has been living beyond its means. The central bank should be in a position as an adviser to the government to go and tell them: here is the package of monetary variables consistent with your overall objectives. If you want those objectives, your budget discipline must be enforced in line with that," he said.

Mr Yaqub hopes to strengthen the bank by advising the government on the limits on deficit financing, by halting external influences on commercial banks to give loans, and by having independence in appointing employees.

He has already raised interest rates by two percentage points in an effort to attract savings and counter rising inflation, and recommended a target of Rs20bn (£438m) for government borrowings during the fiscal year which began in July, roughly a third of recent levels.

The State Bank's powers have been gradually eroded since the early 1970s when Pakistan's four largest commercial banks were nationalised. State-owned banks have since built up bad debts of Rs80bn.

Rampant growth in government spending has caused large budget deficits and uncontrolled government borrowing from banks. Public-sector deficit financing squeezed new credit to the private sector.

Mr Yaqub has refused to withdraw fines imposed on two of Pakistan's largest public sector commercial banks, despite concerns among some officials that this could damage their commercial credibility. He says he will not permit banks to violate requirements such as those related to maintaining a certain level of reserves or credit-deposit ratios, nor artificially show higher profitability despite bad loans.

Commercial bankers welcome the steps, seeing an opportunity to recover loans. "Its not as if the borrowers have defaulted because they had no money to pay back.

"It's just that they were too powerful and the finance ministry in Islamabad was behind them, so there were no fears of any clampdown," says one leading banker in Karachi.

Mr Yunus Khan, head of the Pakistani network of Deutsche Bank, says: "Hopefully, the State Bank will not play to the tune of the bureaucrats or the politicians".

However, he cautions that the loan recovery process may not be an easy one because of likely "legal entanglements".

Mr Yaqub hopes that a bold and independent central bank will help improve the country's monetary health and enforce prudential regulations.

He will inevitably come under heavy political pressure when a new government is elected on October 6, but is confident Pakistan will adhere to Mr Qureshi's reforms, because it has no other option.

A half-written play between two acts

Japan's new coalition policies will emerge soon, **William Dawkins** writes from Tokyo

JAPANESE politics, in its present confused and fluid state, is like a half-written play, in between two acts. As the interval drags out, the actors behind the scenes are hammering out the next stage of the plot.

That is the analysis of Mr Shigeru Ito, top political theorist in the Social Democratic party, the largest and shakiest partner in Japan's month-old coalition government.

The jovial Mr Ito, once dubbed the "brain of the Socialists" by Mrs Takako Doi, former party chairwoman and current speaker of the lower house of parliament, became transport minister a month ago. The SDP, formerly called the Japan Socialist party, was thrust into power by the collapse of the conservative LDP government following defections from its ranks.

"For nearly 40 years, Japan was run by a millionaires' party, the LDP, with one party of opposition: us. Act One consisted of the change of administration. I believe that in the latter half of next year, the bell for Act Two will start to ring. At that stage, you will see new policies begin to solidify, placing Japan in a new world," says Mr Ito, 65.

What those new policies will be remains to be seen. Between now and ths general election which he expects late next year, Mr Ito believes that the seven-party government of Mr Morihiro Hosokawa will manage to hold together, despite its divisions.

The big uncertainty in all this is whether the SDP will walk out, so depriving the coalition of its majority in parliament. Its left wing is offended by the fact that the party, humiliated in the July general election, has now suppressed some cherished policies, such as support for North Korea, to please its coalition partners.

Mr Sadao Yamahana, party chairman, who like Mr Ito has tried to steer the SDP towards the moderate right, has stood down as a result. However, Mr Ito is convinced the battle for Mr Yamahana's successor, to be chosen at the weekend, will be won by Mr Tomiichi Murayama, a moderate candidate with support from both right and left.

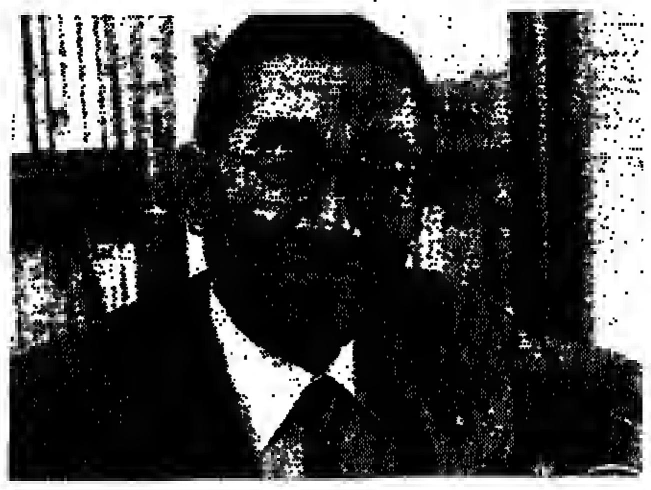
"It is almost a fact that Murayama will become chairman of the SDP. He will fully support the Hosokawa administration," says Mr Ito. Mr Murayama is said to count on the support of two-thirds of the membership.

In the year ahead, political movements born of the summer political upheaval will gather into five main streams, Mr Ito believes.

The LDP has already redivided into two groups: a conservative old guard and young members keen on party reform, represented by Mr Yohei Kono, who was elected LDP president after the election defeat.

A third stream consists of liberal-minded former LDP politicians who belong to new parties. They include Mr Hosokawa's Jspan New party and the New Harbinger party headed by the prime minister's close friend and ally, Mr Masayoshi Takemura, chief cabinet secretary. The pair are planning a merger.

Fourth, there are the former LDP powerbrokers who masterminded the old government's defeat, snch as Mr Ichiro Ozawa, co-founder of the Japan Renewal party, and Mr Tsutomu Hata, party founder and present foreign minister, who hold to a conservative line.


Ashley Ashwood

Shigeru Ito: knows he faces s hard task

The fifth and largest, but divided, stream is the centre-left, led by tha SDP with a handful of smaller fringe groupings around it.

The next election, Mr Ito predicts, will be fought between two coalitions made up from these gronpings. "A US-styla two-party system just would not suit Japan because it could not cover our complex mentality," he argues.

He has no illusions about the uncertainty of his own party's future in all this. Mr Ito has no idea exactly which parties the SDP will choose as coalition partners for the next slection. However, he says, "It is clear we will have to co-operate with the liberals" (by which Mr Ito means Mr Hosokawa).

First, the SDP needs to work on its image, he acknowledges. The party did even worse than the LDP in the election, losing half its parliamentary seats as voters shunned the two oldest mainstream parties in favour of new political movements and promises of change from the rigid system of the past. "We made a strategic error. Votsrs thoughbt we stood against progress, like a red light. We must cbsnge tbat light to green."

Mr Ito knows he faces a hard task. The SDP in parliament is larger than the former Tanaka faction of the LDP to which Mr Hosokawa used to belong, but much less powerful, he says. Meanwhile, the party has to adjust to the decline of socialism the world over.

He wryly recalls being told by Mr Laurent Fabius, the Socialist former French prime minister, wben on a visit to Japsn, tbat tbe secret of French socialism was its intellectual advantage. Clearly, that is no longer true in France and has not been true in Japan for the past 45 years in which the SDP has been out if powsr. Even so, be claims, "I am not pessimistic about tbe future."

Thai PM sacks 'plotter'

By William Barnes in Bangkok

MR CHUAN LEEKPAI, Thai prime minister, has sacked one of the five members of his ruling coalition, the Social Action party, for plotting to merge with four opposition parties.

The SAP will be replaced by the small Seritham (Liberal Democrat) party, trimming the coalition's parliamentary majority from 26 to 13 seats. This is considered rather small, given Thai politicians' lack of discipline.

The SAP, dubbed one of the "devil" parties before last year's election for its willingness to snpport a military junta, has been an irritant during the coalition's first year.

Seritham is the creation of Mr Arthit Urairat, s former House of Representatives speaker who earned plaudits last summer for his role in engineering a snap election to break s political impassa which followed the military's killing of 50-odd pro-democracy protesters in Bangkok.

Disruption will be limited because the SAP held no important cabinet posts and because the original four "angel" parties – the Democrat party, Palang Dharma (Buddhist Force) party, New Aspiration party, and Solidarity – can probably lose only by breaking up a modestly successful partnership.

The opposition ranks appear bruised by a proposal from Mr Chatichai Choonhavan, the former prime minister, to create a 90-seat super-party.

IFC infrastructure investments increase by 65%

By Peter Norman, Economics Editor

THE INTERNATIONAL Finance Corporation is rapidly expanding its support of private sector infrastructure investment in developing nations to help meet an annual demand for finance of about \$150bn (£97.4bn) in the sector in the current decade.

Sir William Ryrie, vice president of the World Bank affiliate, said the IFC approved a 65 per cent increase to \$379m in its own investments in private sector infrastructure in the financial year to June.

The past year's investments in such projects as private power generation, telecommunications, transport and environmental services were concentrated in Latin America and Asia. They amounted to about half the corporation's total infrastructure investment since it was set up in 1956.

Presenting the IFC's annual report, Sir William said it intended to pnt about a quarter of its investments into private infrastructure in tha years ahead in the expectation that every dollar of investment approved on the IFC's own account would mobilise \$9 from other investors. In the past business year it approved a record \$2.1bn in finance for 185 private sector projects worth a total of \$17bn in 54 developing nations.

However, net income declined to \$142m from \$180m, partly because of reduced returns on its liquid assets as a result of lower short-term interest rates, and partly because of a drop in income on the loan portfolio dne to war and economic uncertainty in the former Yugoslavia and parts of Africa.

The corporation expects to approve investments of about \$2.4bn in the current financial year, up from \$400m in fiscal 1984. Sir William retires at the end of 1993. He will be succeeded by Mr Jannik Lindbaek, president and chief executive of the Nordic Investment Bank.

Police raid HK group

MORE THAN 100 companies connected with the Allied group of Mr Lee Ming-tee, a Malaysian-born entrepreneur, were raided by Hong Kong's Commercial Crimes Bureau yesterday. The affair has become the colony's most significant corporate crime investigation since the Carrian group collapse in 1983, writes Simon Davies in Hong Kong.

A government-appointed inspector recently completed a report on five listed companies connected with Allied, and part of this document is likely to be made public within a week.

There has been no explanation, however, for the involvement of the police. Allied said it was "surprised that this action should be taken after 13 months of investigation during which the group has co-operated fully with the inspector who, with his team, had an office in Allied's building for 10 months".

AT&T agrees transatlantic calls pact with Mercury

By Andrew Adonis

PRESSURE to reduce transatlantic telephone call charges will intensify following a reduction of a quarter in the "wholesale" price of delivering calls carried by AT&T, the US operator, and Mercury, the UK competitor to British Telecommunications.

The agreement, to take effect next month, intensified the war of words between AT&T and BT. AT&T accused BT of dragging its feet on concluding a similar deal between the two carriers.

In a speech in London last night, Mr Iain Vallance, BT chairman, strongly attacked AT&T for lobbying for the break-up of BT, the former state-owned utility.

He warned the British government against "pursuing the commercial equivalent of unilateral disarmament" in its attitude to the US giant's ambitions to enter the UK market.

The AT&T/Mercury agreement concerns accounting rates, the price carriers pay each other for delivering international calls to their final destination.

US-UK accounting rates have halved in the past four years. However, AT&T claims that the new agreement with Mercury still leaves its rate at twice the cost of carrying calls, while its existing agreement with BT sets the peak-rate price at nearly three times the actual cost. Mr Tom Luciano, AT&T's deputy director for international settlements, said: "We are looking for an agreement with BT similar to Mercury's. However, BT's response has been too little and too late."

BT claimed that in May it had proposed a "sizeable reduction" in its accounting rate, and expected to reach agreement with AT&T "soon". But it declined to disclose figures.

Since a majority of US-UK traffic originates in the US, AT&T has a strong financial interest in driving down accounting rates and destroying the system which has hitherto kept them artificially high.

Its campaign to reduce transatlantic rates has acquired added intensity by its growing rivalry with BT.

In the past three months both companies have formed international alliances – BT with MCI, AT&T's principal US competitor.

AT&T has also applied for a government licence to gain direct access to the UK public telecommunications network. The Department of Trade and Industry in London is considering the application.

Mercury welcomed yesterday's deal as "good for customers". The company went on to support AT&T's objective of reducing accounting rates towards costs. It said that prices had already fallen by 40 per cent for large customers in the last three years, and it said that the new agreement provided the lowest inter-continental accounting rates in the world.

In his speech last night, Mr Vallance called for stronger support from the British government for BT in its quest to become a global company.

"The UK may have given up on the idea of national champions," he said. The trouble is that the rest of the world has not."

Far right scents victory in London poll

A POSTER campaign against racial attacks will be launched by the Commission for Racial Equality in London today with government, police and local authority support.

While the event takes place, the far-right British National Party will be fighting a few miles away in the East End borough of Tower Hamlets to gain its first council seat.

Should predictions that the party has an outside chance of winning today's by-election prove correct, members of ethnic minority communities say the single good effect might be to jolt the government, police and local authorities into a more powerful bid for racial harmony than poster campaigns.

The by-election comes in a week which has seen clashes in Tower Hamlets involving Asian youths, BNP supporters and members of far-left groups following a savage attack by a white gang on Quaddus Ali, a 17-year-old Asian student. Members of ethnic minority communities, mainly Asian, form more than a third of Tower Hamlets' population. The borough, one of the most deprived in Britain, is a particular target for BNP activity. The party contested both parliamentary seats in the general election, and in another council by-election last year on the Isle of Dogs – scene of today's by-election – polled 20 per cent of the vote, well ahead of the Conservatives.

Levels of racial violence and harassment are hard to measure. Not all disputes between black and white people are racially motivated, while many that are do not get reported. Crime survey and police figures indicate, however, that racial attacks have increased in many parts of the country in recent years.

In Newham, which borders Tower Hamlets and has one of London's biggest ethnic minority populations – 42 per cent – a long-established monitoring project collects information on incidents of racial violence. Its files contain reports of a three-year-old knocked unconscious by a brick; homes daubed with racist graffiti; knife attacks and arson attempts.

No-one engaging in such activities is likely to be deterred by poster campaigns, and last year the Commission for Racial Equality demanded tougher laws. It wants a specific new offence of racial violence with severe penalties. But some lawyers argue that this would make it more difficult to secure convictions while the government has shown itself reluctant to strengthen existing race relations legislation.

Complaints of rising racial violence are not confined to London. "It is becoming a disgrace to what is supposed to be a civilised society," said Mr Maxie Hayles, director of Birmingham's racial attacks monitoring unit. "We need funding for case workers to work alongside victims of harassment and attacks, providing long-term support."

Members of ethnic minority communities know that their concerns about racial attacks, and the dangerous influences of far-right political groups, can easily sound exaggerated. Yet Sir Michael Day, the white chairman of the Commission for Racial Equality until earlier this year, left office with a vivid warning that the extreme right in Britain felt events were moving its way. "There is a boldness in the political rhetoric of the extreme right which conveys a wider acceptability of their views," he wrote.

The latest test of that political rhetoric will come in today's Tower Hamlets council by-election. Leaders of the borough's ethnic minority communities hope that, if there is any strengthening of BNP support, the government will lose no time in responding to Sir Michael's warnings with stronger legislation.

Alan Pike

East End watches history repeating itself

Jim Kelly outlines a long saga of poverty and racism

Tony Andrews — Hulton Deutsch

The bustle of London's East End just beyond the boundary of the City masks the atmosphere of alarm engendered by recent racist violence. Right: Sir Oswald Mosley, leader of the British Union of Fascists, marching through the East End in 1936

FOR centuries London's East End has been the gateway to Britain for immigrants in search of wealth, refuge, or simply a fresh beginning. Life oo its crowded streets has, predictably, been marred by discrimlnatioo and racial violence.

The area forms what was the "east end" of the original medieval London and today lies within sight of the banks and offices of the financial district of the City. Significantly, it lay outside the jurisdiction of the medieval commercial guilds.

Here io the East End, close to the docks where most immigrants arrived, newcomers could trade freely, close to the thriving and expanding capital, and enjoy the religious liberty so rare elsewhere in Europe. There were jobs to be had in sweatshops, on the streets, and in the docks.

The image of the district is infamous. For most the East End is the home of the Cockoey accent, of Jack the Ripper and the Whitechapel Murders of 1888, of Oliver Twist and Fagin, of low life and poverty relieved by grim humour and extraordinary economic vitality.

Many immigrants brought special skills to the East End. In the 1650s the Jews, expelled in 1290, were allowed to return by Oliver Cromwell and settled in Whitechapel. French Protestants, fleeing the persecution which followed the Revocation of the Edict of Nantes in 1685, came to Spitalfields and brought the silk industry with them.

The British Empire brought immigrants back to London in its ships. The late 18th century saw tbe Chinase coming to Limehouse, having arrived care of tbe East India Company. Indians, often working as servants to colonial families, began to arrive along with Afro-Caribbean migrants travelling with traders and plantation owners. Many were slaves until abolition in 1807.

Ireland's Great Famine of the 1840s brought thousands to London, many of them ending up living in the "rookeries", or tenements, of Whitechapel. Tha assassination of Tsar Alexander II of Russia in 1888 brought Jews fleeing the resulting pogroms to the East End, supposedly en route for America. But many stayed.

The arrival of anarchists and dissident nationalists from the Russian Empire at the turn of the century brought the East End one of its periodic explosions of violence. The Siege of Sidney Street saw home secretary Winston Churchill having to deploy the police force and the guard of the Tower of London on to the streets to restore order.

The 1930s and the rise of fascism saw the East End again embroiled when Oswald Mosley's blackshirts clashed at the barricades with leftwing supporters and local residents in the 1936 Cable Street riot.

The second world war changed the East End fundamentally, and many would say, not all for the bad. Loodon was under aerial attack for six years and the East End, close to the docks, was severly hit. Its redevelopment after war, and the huilding of the nearby Docklands office complex in the late 1980s, have brought improvements in housing and transport.

Many Cockneys left the East End in the 1950s and 1960s as fresh migration began from the West Indies and the Indian sub-continent. New towns, such as Harlow in Essex, took them out into the country to new jobs and homes. Successive waves of migrants have moved on to the capital's suburbs or to the cities of the Midlands.

But the East End has remained. Its character, and particularly its poverty, have survived the boom years of the 1980s when many Victorian and Georgian streets were "gentrified" by those working in the City of London. Today many of its streets still recall the 19th century rather than the 20th, and its social problems are again making headlines.

Lloyd's warned of 'lingering demise' after more losses

By Richard Lapper

SYNDICATES at the Lloyd's of London insurance market are suffering additional losses because of a number of failures by reinsurance companies, Chatset, the company which monitors the results of syndicates at the market, said yesterday.

Up to 40 syndicates have mentioned reinsurance failures as a contributing factor to losses in their accounts for 1990, according to Mr Oliver Carruthers, a Chatset consultant.

Chatset believes that the insolvencies mean that syndicates cannot claim in full on some reinsurance policies they had taken out. It fears this might cost the market as much as £500m.

News of the problem emerged when Chatset presented a gloomy assessment of the market's recent performance and prospects in its annual Lloyd's League Tables.

Following losses of £2.9bn in 1990 and £2.1bn in 1989, Chatset forecasts that Lloyd's will lose a further £1.5bn when it reports results for 1991 and 1992 over the next two years. "For 1992 we believe that another overall loss is inevitable."

Chatset said: "The future for Lloyd's is bleak," and added that the market faced "a lingering demise, going down with a whimper rather than a bang as Names are crushed".

Chatset is particularly gloomy about the weight of US asbestosis and pollution claims arising on policies underwritten up to 40 years ago.

Lloyd's announced earlier this year that it intended to transfer some of its reserves for claims on all policies underwritten before 1986 into a new reinsurance company called NewCo, to effect "ring-fencing" new investors from these liabilities.

These reserves, which are contained in Lloyd's premium trust fund, amount to several billion pounds, but may need to be topped up because syndicates use different actuarial standards for setting reserves.

Chatset has yet to carry out detailed work but says the shortfall could amount to between £4bn and £6bn.

"We believe that such a demand on current Names is unfeasible. At best those Names that have trade on will have to utilise their future profits to pay past losses, so we do not see a rosy future for existing Names," said Chatset.

Chatset say the ring fence must be strong enough to allow the Lloyd's policy to survive, but this is going to impose an "intolerable" strain on the old Names.

440,000 shop thieves caught last year

By Neil Buckley

SHOP workers and managers apprehended more than 440,000 customers for theft last year, the British Retail Consortium said yesterday. It added that 10,000 shop staff were caught stealing from their employers and that retail staff were the victims of 11,500 incidences of serious violence in the year.

The figures emerged in preliminary findings from a new initiative on crime set up by the consortium, which represents 90 per cent of the UK retail trade. The survey is the first attempt to collect such detailed figures from across the industry.

The 440,000 theft total is more than 50 per cent higher than the total of 288,700 in statistics published by the Home Office because difficulties in bringing successful prosecutions under existing legislation means that many offenders are not referred to the police.

The aurvey also shows thet retailers are spending about £400m on combating crime each year and losing about £175m in burglaries.

The findings will be discussed today at the first meeting of the Home Office's Retail Action Group, a committee including retailers, police and local authority officials set up to tackle the growing problem of retail crime.

The difficulties faced by retailers were highlighted in June by Mr Stanley Kalms, chairman of the UK'a largest electrical retailer Dixons. He said at a conference that shops were heing forced to adopt "vigilante tactics" to combat crime. He said crime cost Dixons £20m last year.

A report last month found a quarter of shops in some parts of London had been victims of a robbery or attempted robbery in the past year.

The consortium set up an initiative on crime in June to gather information about the true size of the problem.

Initial findings suggest that 150,000 burglaries were committed against retail premises last year, with losses totalling about £175m.

That would account for more than half of the £320m attributed to all commercial burglaries in Home Office statistics on crime.

Britain in brief

UK to defer retaliation on unitary tax

The UK is to defer retaliatory action against US companies operating in Britain following California's decision to pass legislation allowing foreign companies to opt out of its unitary tax system.

Mr Kenneth Clarke, chancellor of the exchequer, said the move by the California State Legislature was welcome but it did not provide a complete solution to the problems of the state's tax laws.

Mr Clarke said that, for a complete solution, it was necessary to have the internationally accepted "arm's length" principle of taxation endorsed on a permanent basis by the US Supreme Court in the case being brought by Barclays Bank.

US bill opposes Thorp start

US members of Congress have introduced a bill opposing the start-up of the UK's Thermal Oxide Reprocessing Plant and calling on President Bill Clinton to raise the issue with the British government.

"Thorp is a direct threat to international security, bringing an additional 59 tons of plutonium into circulation over the next ten years," said Mr Pete Stark, a California Democrat. The move follows a non-binding vote by the House of Representatives calling for the suspension of plutonium processing worldwide.

Lamont attack

Mr Norman Lamont, the former chancellor, has dealt a calculated blow to Mr John Major's bold on Downing Street by endorsing rightwing opposition to tax increases and questioning the prime minister's leadership.

Mr Lamont, who was sacked in May, also challenged the prime minister to rule out British participation in European monetary union. His intervention will encourage rightwing Conservative critics of Mr Major to trigger a leadership challenge later this year.

Pay bill static

The pay bill in manufacturing industry has not grown at all this year and British manufacturing is heading for a reduction in unit labour costs in 1993 for the first time since 1960, the Confederation of British Industry said. The CBI added that the recovery was not bringing a bounce-back in manufacturing pay and pay freezes remain common.

The England selectors announced the team to tour the West Indies this winter.

M Atherton Lancashire
A Stewart Surrey
A Caddick Somerset
A Fraser Middlesex
G Hick Worcestershire
N Hussain Essex
A Igglesden Kent
C Lewis Nottinghamshire
D Malcolm Derbyshire
M Maynard Glamorgan
M Ramprakash Middlesex
J Russell Gloucestershire
I Salisbury Sussex
R Smith Hampshire
G Thorpe Surrey
P Tufnell Middlesex
S Wntkin Glamorgan

Executive pay near lowest in Europe

By David Goodhart,
Labour Editor

UK EXECUTIVES are still among the lowest paid in Europe in terms of gross, net, and cost-of-living adjusted pay according to the latest report by pay analysts PE International. They say there has been little change since last year.

Swiss, Austrian, Spanish and French executives are the top four in both gross pay and purchasing power.

Overall, says the survey, it is best to be a managing director in Spain, a finance director in Switzerland and a sales manager in France.

The report, which finds that executive pay practices are slowly converging across Europe, places the British managing director in tenth place (out of 12) on gross pay of £107,417. Only the Republic of Ireland and the Netherlands were lower. After tax the British managing director earned £64,342 and moved up to eighth place ahead of Belgium and Denmark.

The payment of a 13th and 14th month's salary is common in all countries except Ireland and tbe UK. But there is a growing interest in all countries in more variable pay with 50 per cent of UK executives receiving cash bonuses worth betweeo 8 per cent and 17 per cent of basic salary. Company cars are no longer the preserve of Britisb executives.

Over the last five years the UK executive has consistently trailed most of the rest of Europe in terms of both gross pay and purchasing power. As top marginal tax rates converge the advantage of low taxation in the UK and Portugal is likely to be eroded, concludes the report.

Remuneration in Europe available from: The PE Centre for Management Research, Park House, Wick Road, Egham Surrey, TW20 0HW.

Imported trucks and vans raise market shares

By John Griffiths

IMPORTS took a sharply increased share of the growing UK commercial vehicle market last month, the Society of Motor Manufacturers and Traders reportad yesterday. Imports accounted for 44.87 per cent of sales last month compared with 40.81 per cent in August last year. They took 40.78 per cent of the market in the first eight months of the year compared with 35.86 per cent in the corresponding months a year hefore.

The small-vans sector faces a sharply increased cballenge from Renault, whose UK sales last month were 72 per cent higher than in Angust last year. Renault van sales throughout the first eight months of this year were 35 per cent up on the corresponding period of 1992. The main casualty has been Rover, the British Aarospace offsboot in which Honda has a stake.

The society said the recovery was well under way in the truck industry. UK sales of trucks over 3.5 tonnes jumped by 19.8 per cent last month to 4,910 compared with Angust last year. Total truck sales for the first eight months of this year were 22,392 against last year's 20,633 for the first eight months.

The Iveco Ford group has strengthened its hold on the truck sector, and its share of the UK market rose to 25.9 per cent last month against 17.98 per cent for the once market-leading Leyland DAF.

Overall, 31,085 commercial vehicles were sold last month, a drop of only 1.96 per cent on August last year.

Mother wins case over RAF dismissal

By Robert Rice,
Legal Correspondent

A FORMER medical assistant dismissed from the Royal Air Force in 1985 after sha became pregnant yesterday accepted £22,000 in damages from the Ministry of Defence in an out-of-court settlement.

The claim brought by Miss Jacqui Thornber, a singla mother aged 33 from Leicester, is seen as a test case for up to 4,000 servicewomen dismissed after becoming pregnant. The MoD could now face claims running into millions of pounds.

The settlement was reached during an industrial tribunal hearing in Croydon, south London to set the level of damages. The MoD had admitted unlawful sex discrimination, but disputed the level of compensation she was entitled to.

MoD policy in 1985 was to discharge servicewomen who became pregnant, but it had accepted that this policy was unlawful in an earlier test case in the High Court in 1990.

Miss Thornber's fight for compensation was aided by a recent dacision of the European Court of Justice that Britain's statutory £11,000 ceiling on trihunal awards was unlawful.

The Luxembourg court ruled in August that people who have suffered sex discrimination must be compensated in full for loss and damage actually suffered even if that meant exceeding the ceiling.

Miss Thornber is now on income support and in tha final year of a science degree course in information and library studies.

A second case involving a former aerospace systems operator from Humberside is due to be heard on October 8. Mrs Deborah Miller 28, is claiming £54,000 plus interest after rejecting an MoD offer of £3,688.

TV channel may be 'too American'

By Andrew Hill in Brussels

THE European Commission is worried that a new satellite television channel, due to start broadcasting into the UK tomorrow, may be too American.

The Commission has written to Mr Peter Brooke, the UK national heritage secretary, to find out whether TNT & Cartoon Network will broadcast enough European programmes to meet EC requirements.

The Commission's inquiry is linked to French concerns about the growing number of US-made programmes and films being screened in Europe.

However, a spokesman for Mr Joao de Deus Pinheiro, the EC's andiovisual commissioner, said yesterday that the letter had been written on the Commission's own initiative and was not prompted by French complaints. The UK government has 15 days to reply.

TNT & Cartoon Network belongs to Turner Broadcasting System, owner of the CNN news organisation, and is one of several new satellite channels which will begin transmission in the UK tomorrow. It will be devoted to classic cartoons, such as Bugs Bunny and The Flintstones, as well as Hollywood films.

The Commission said it was concerned that tha channel might not broadcast a majority of European works as required under the 1989 EC directive which opened up cross-border satellite broadcasting in the EC.

France has threatened to oppose any attempt by the US to extend the Gatt world trade agreement to cover cinema, which it fears would increase the dominance of US films in Europe. The French audiovisual authorities have already refused permission for French cahla operators to broadcast the TNT & Cartoon Network.

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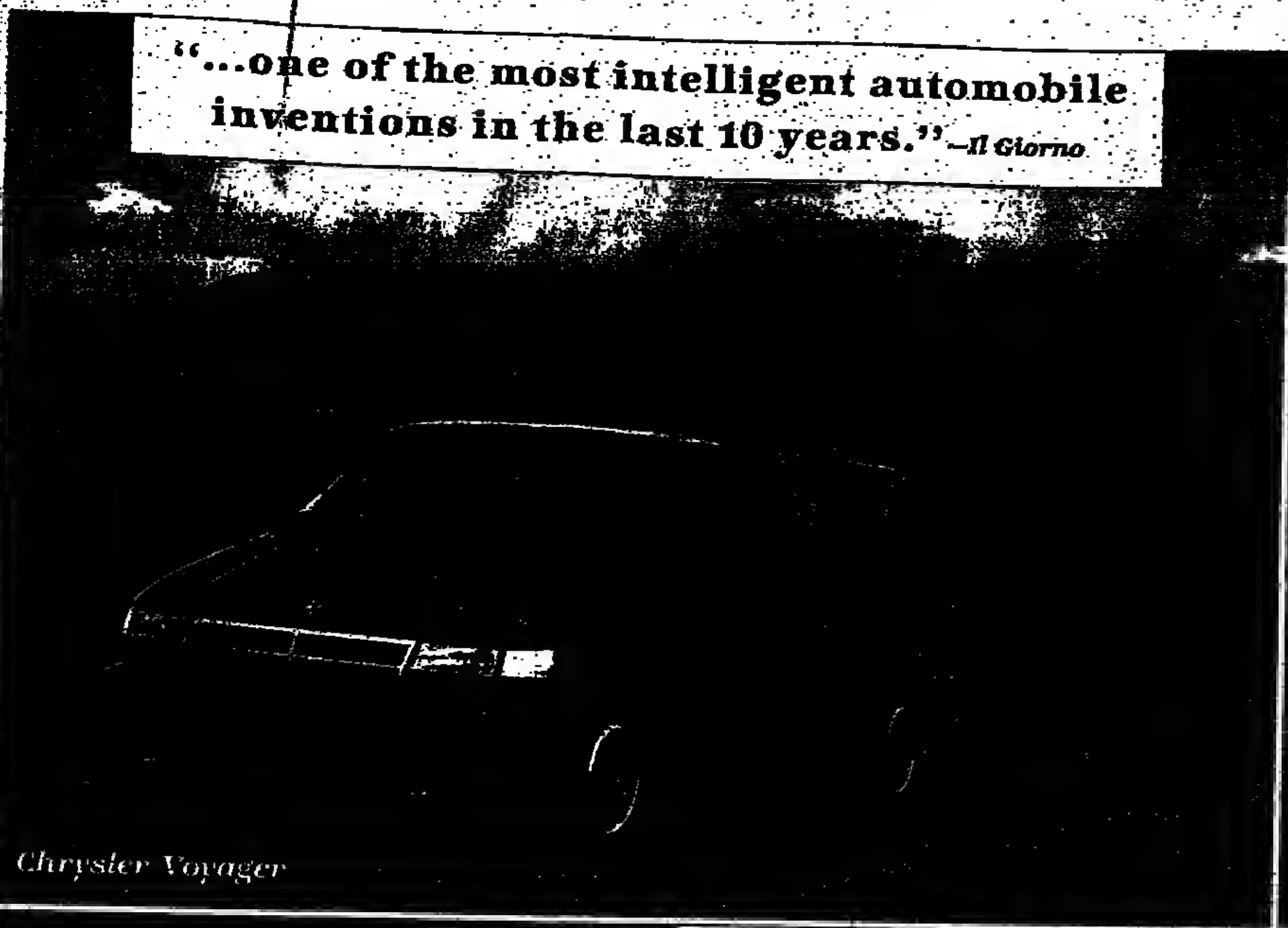
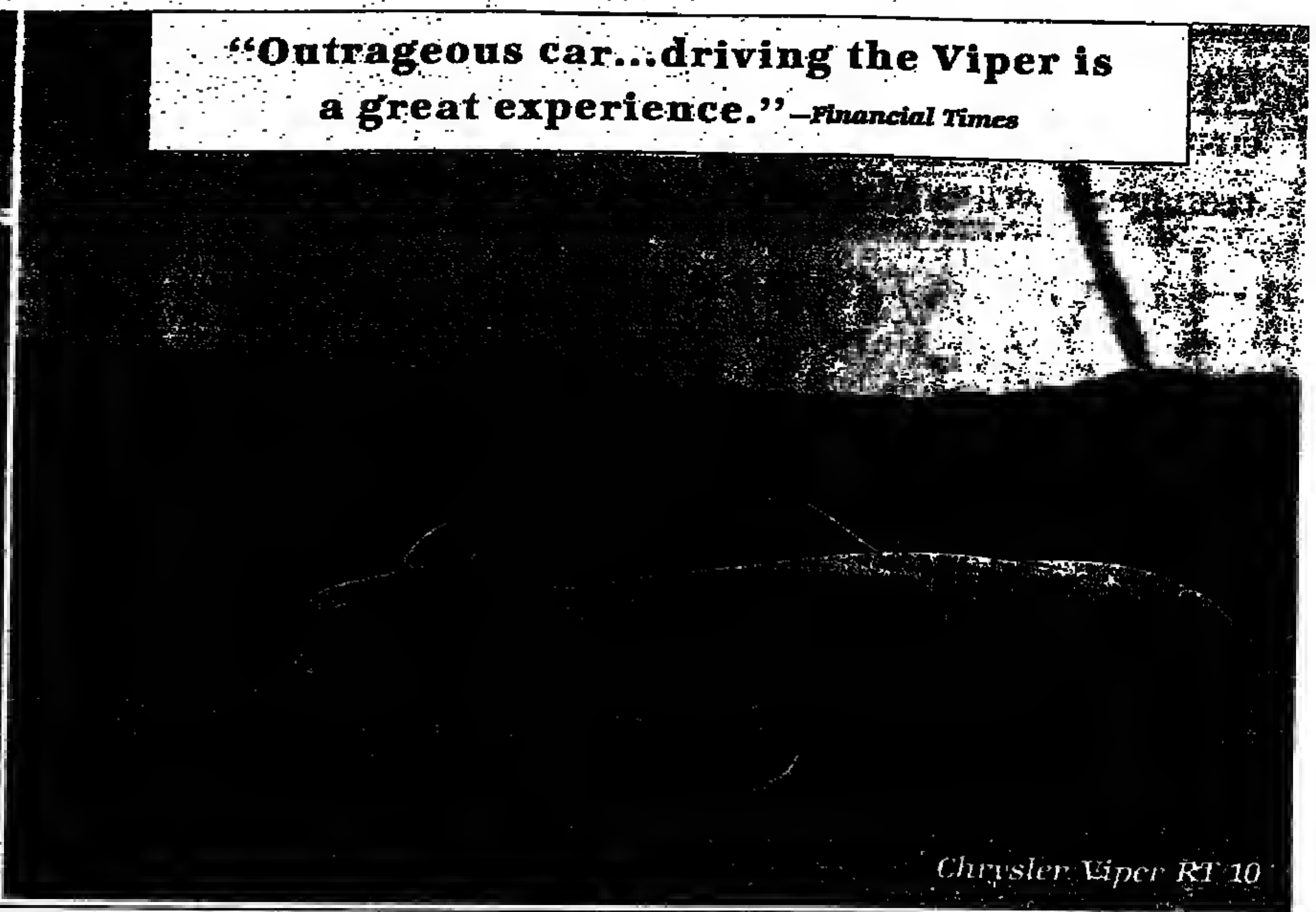
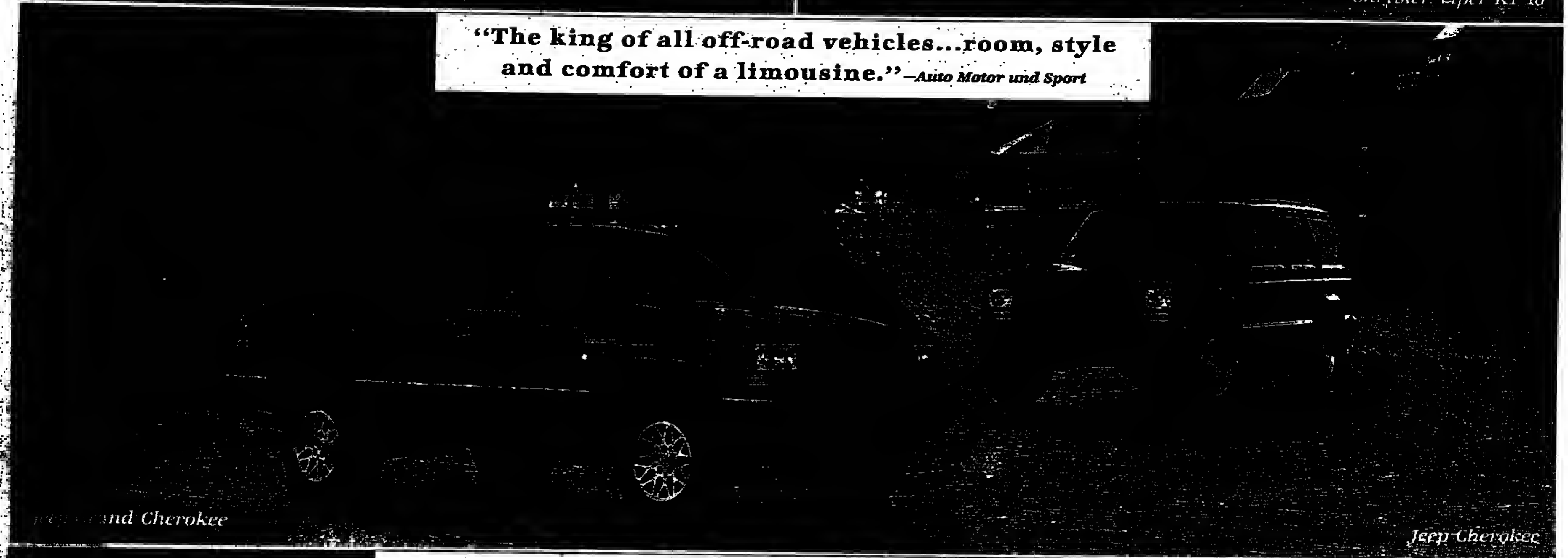


Chrysler Voyager

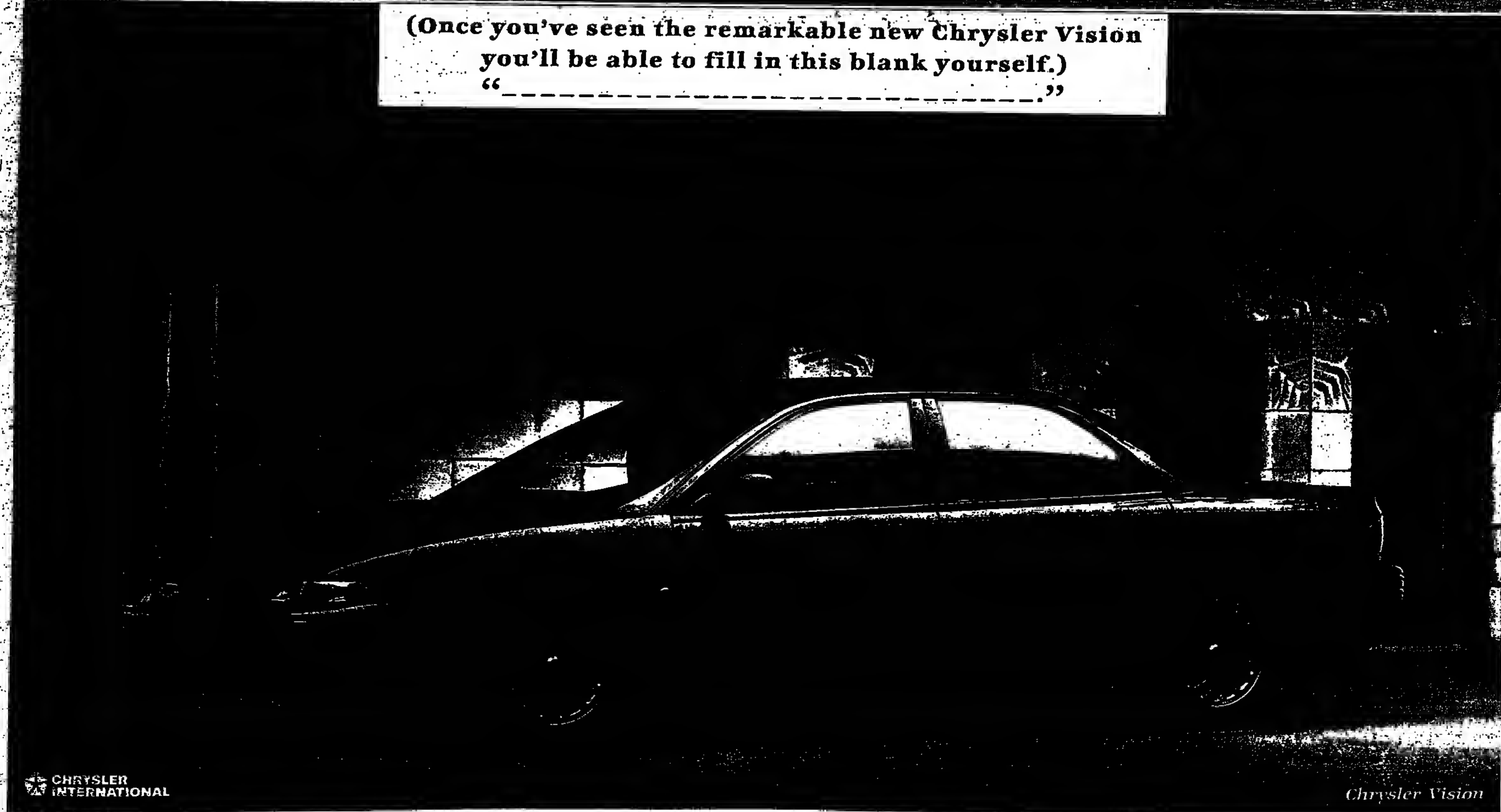


Chrysler Viper RT 10



...and Cherokee

Jeep Cherokee



Chrysler Vision

If you'd like some professional examples to guide you, they do exist. *Le Figaro* says that the Vision is "a 'tour de force' from Chrysler's designers." *Auto Bild* simply calls it "one of the best cars in the world."

Their enthusiasm is understandable. With its new cab forward design, the Vision combines the nimbleness of a sports sedan, the roominess of a touring car and the safety of driver and front passenger air bags. We think that the Vision is the perfect addition to Chrysler's family of distinctive vehicles. And clearly, we're not the only ones who think so.

CHRYSLER
Built to set you free.

US companies are bidding for the custom of twenty-somethings and teenagers, writes **Martin Dickson**

Hey, young spender

You are the US manufacturer of a product with an old-fashioned image. Teenagers and people in their twenties do not want to "check it out". It is not cool. It is the antithesis of radical. How do you change their perceptions?

This problem, common to many businesses, was addressed by two US companies last week when they announced significant changes in image.

Chrysler, the car maker which *until recently came* over as rather stodgy, unveiled a small car, called the Neon, which it will introduce to the US market in January. The Neon will be aimed directly at the group of consumers dubbed Generation X or the "baby busters" by the marketing industry – young adults between the ages of 18 and 30.

Procter & Gamble, the consumer products company, announced a relaunch of Old Spice, which is America's best-selling men's aftershave but *suffers from* an *image* problem: young men think of it as something found in their father's bathroom cabinet – one of the least hip places on earth. P&G aims to eradicate such negative connotations.

Generation X is notorious in the marketing industry for being hard to sell to. Its members, many of whom have suffered long periods of unemployment, are supposed to be cynical, iconoclastic, unresponsive to traditional advertising techniques and lacking in brand loyalty.

However, after extensive market research into the views of the age group, Chrysler has come up with a more positive interpretation. The company believes it is a generation which seeks "simplicity, integrity, substance and genuineness in its lifestyles." It is environmentally conscious and has far less desire for show and materialism than the baby boomers who preceded it. It has very high product expectations and is open to new suppliers, if they can deliver the best quality.

In the 1980s Chrysler had a reputation for producing dull, boxy cars and, in common with the rest of the Detroit motor industry, it lost many baby boomers, now in their 30s and 40s, to Japanese rivals. Over the past 12 months, Chrysler has started winning back market share in the family-sized car market, thanks to a series of new vehicles of startlingly different design. The Neon is its attempt to carry this momentum into the crowded small-car market, where buyers between the ages of 24 and 30 account for roughly 50 per cent of US sales.

Chrysler's new "huggable" Neon car with its bug-eyed headlights is aimed at the "baby buster" generation

Chrysler is keeping its advertising ideas secret, but recent US campaigns by rival car companies targeting Generation X have used off-beat humour and rock music, together with claims that their vehicles are less boring than other cars and better value for money. Chrysler seems likely to reiterate many of these themes.

Chrysler's publicity machine is presenting the Neon as stylish, low-cost, roomy, fast-accelerating and environmentally friendly. (It is at least 85 per cent recyclable). With its big bug-eyed headlamps and a bubble shaped top, the car is "huggable," maintains the company.

That is a quality to which Old Spice might also lay claim. Its TV advertisements have long featured the "mariner man" – a whistling sailor with a magnetic power over women. He would toss a bottle of Old Spice to *some poor land-lubber* unable to attract the ladies.

Old Spice has had a nautical theme ever since the line was introduced in the 1930s. A logo of a classic clipper ship graces its packaging and bottle. P&G, which acquired the brand three years ago, is updating the image by getting rid of the mariner and replacing the clipper logo with a racing yacht. It is coupling this with the launch of two products aimed at young men.

Its research found many young men do not like the burning sensation of traditional after-shaves. This stinging is produced by the alcohol used as an antiseptic against shaving cuts. However, modern razor technology means fewer facial nicks and thus little need for the alcohol.

P&G is introducing an alcohol-free after-shave, and a long-lasting "high endurance" deodorant, both *targeted at the under 30s*. The TV advertisement for the deodorant shows a young man winning a cycle race and being embraced by his admiring woman. The only nautical reference is a short shot of a large, breaking wave at the end of the advertisement.

Old Spice is changing its image by sponsoring sports, notably beach volleyball, a fast-growing televised game in the US, featuring lithe athletes clad in swimming costumes and dark glasses.

Jon Hall, the brand's associate advertising manager, claims none of this is alienating Old Spice's older users, since "we have retained the features that they identify with the mariner man." Perhaps.

In a league of their own

Campaign, the British advertising industry's weekly publication, celebrates its 25th anniversary this week. It has been digging into its archives and tomorrow publishes a league table of the top creative agencies. Ranking is based on how many awards agencies have collected over the years.

Saatchi and Saatchi heads the list (current work includes British Airways and Silk Cut). Next are: Collett Dickenson Pearce (Benson and Hedges, Parker pens); Boase Massimi Pollitt (VW, Heinz); and Abbott Mead Vickers (Volvo and Sainsbury's). The full list of 25 includes some agencies which are no longer on the scene.

But how meaningful is it to rank agencies according to the prizes the industry awards itself? The answer, as far as the agencies are concerned, is that who wins which award is of consuming interest. The rest of the world would probably be unwise to use awards as a basis for measuring anything.

Dominic Mills, Campaign editor, says an award-winning campaign has: originality; relevance to the product and target market; impact; and wit.

Some clients do enjoy working with prizewinners, but the main rewards seem to be enhanced internal morale and increased opportunity to draw in creative talent from outside.

The competitions that Campaign has tracked include the Cannes awards, advertising's equivalent of the film festival, the Designers' and Art Directors' competition and Campaign's press and poster awards. All the competitions measure creativity, rather than effectiveness. Mills says there are "a hundred and one reasons why it's very difficult to measure effectiveness. For example, brilliant advertising can be ruined by poor distribution or uncompetitive pricing."

Nevertheless, an attempt is made every two years by the Institute of Practitioners in Advertising to measure and reward effectiveness, with "agencies producing lengthy papers to prove their point," says Mills.

The IPA competition was not included by Campaign when it came to compiling its league table, but there is some overlap, he says. Strong performers on both counts, according to Mills are Boase Massimi Pollitt, Abbott Mead Vickers and Bartle Bogle Hegarty.

There may have been no shocks at the top of the league table, but Mills says it was a "little surprising" to see D'Arcy Masius Benton and Bowles, and Still Price Lintas featuring further down at numbers 22 and 24 respectively. Surprising, says Mills, because they are "large multinational client-based" agencies. Such agencies "largely don't produce award-winning work, but they've turned out to be more creative than people think," he says.

The multinational client is more likely to produce advertising by committee and to be conservative, says Mills. If your advertisement is aimed at the dull old "housewife buyer" of, for example, washing powders or fish fingers, you are less likely to be able to collect a creative award. More promising territory is "the bright youth market or the thirty-somethings who are ad literate and sophisticated," says Mills.

Diane Summers

Breathing Liffe into equity options

Antonia Sharpe on how to revive interest in an established product

How do you increase sales of a product which has been around for years and which has failed to do as well as other, competing brands?

Manufacturers of washing-up liquid or soap powder can quickly *reach millions of potential* buyers with television or radio commercials. But these forms of advertising are uneconomic and inappropriate for products which are very specialised and only appeal to a small audience.

This is the challenge facing Liffe, London's financial futures and options exchange, which is trying to stimulate new interest in equity options after inheriting the product last year through its *merger with* London's traded options market.

Equity options – which give holders the right, but not the obligation, to buy or sell at a fixed price – started trading on the London Stock Exchange in 1978. In spite of the deregulation of the securities industry in the 1980s and the wide ownership of shares in the UK, however, they failed to attract enough interest to justify their own trading floor.

By contrast, equity options have been far more successful in continental Europe and in Scandinavia, where the level of investment in shares is relatively low. Liffe, which is the largest financial futures and options exchange outside Chicago, believes it should be able to bring the UK level closer to those of the Continent and Scandinavia.

One of the first things Liffe discovered from its market research *was that in the US and in the* Netherlands, it is the retail investor, and not the institutional client, who is responsible for about 70 per cent of trading volume in these instruments.

In the UK, the situation is the reverse, with private investors estimated to contribute less than 20 per cent of total equity and index option volume.

Developing this retail segment is essential if trading in equity options is to grow substantially, says Karin Forseke, in charge of equity products at Liffe.

She has taken steps to make equity options more accessible to the public. Prices of individual equity options are now available on *the BBC's teletext facility*, Ceefax. In the first week of transmission, Liffe received 1,500 telephone calls about equity options.

Retail investors were also given priority when Liffe conducted a review of individual equity options. The Exchange dropped four existing options and introduced eight new ones, leaving 70 equity options which better reflect the composition of retail and institutional portfolio holdings.

Liffe has also introduced monthly seminars for private clients and has published booklets on how to use equity options. It is also improving its technology to facilitate trading.

With these changes in place, Forseke and her colleagues have been visiting private-client stockbrokers in London and the provinces to encourage them, and their clients, to trade in equity options.

The programme is being extended to the big financial institutions, to persuade them to use equity options to enhance the performance of their funds.

Liffe does not expect investors, large and small, to change their habits overnight, but aims to double trading volume of equity options within two years. Currently, just over 1m contracts (a contract specifies the quantity of the item and the time of delivery or payment) are traded each quarter.

Trading in equity options reached a high of 3.1m contracts in the second quarter of 1987, just before the global stock market *crash which occurred that October*.

While a volume-based target is probably the most widely perceived measure of success, Forseke believes that other goals are equally important.

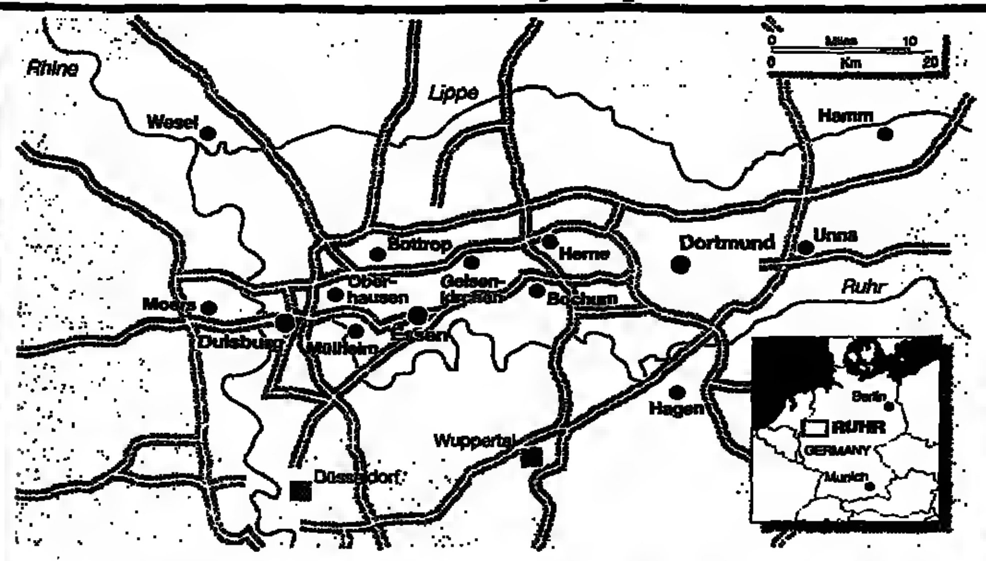
These range from a substantial increase in the use of equity options by institutional and private clients, to increased liquidity in individual equity options.

If these goals are not met by the summer of 1995, is that the end of equity options in the UK? No, says Forseke, Liffe will have to find other ways to make equity options realise their potential.

FINANCIAL TIMES SURVEY

RELAUNCHING THE RUHR

Thursday September 16 1993



The Ruhr – a region in transition in the heart of northern Europe: Duisburg harbour (right), is claimed to be world's largest inland port. Pictured left: new welding techniques being demonstrated at a trade fair in Essen. The Ruhr still accounts for 27 per cent of the EC's coal output and 16 per cent of crude steel production.

Innovation in Germany's industrial heartland

Planners are diversifying away from traditional heavy industries, such as coal and steel, reports **Quentin Peel**

SIX years ago, in the winter of 1987, the steelworkers of the mighty Krupp industrial empire took to the streets of the Ruhr region to protest against the planned closure of their steel plant at Rheinhausen.

For them, the proposed closure of that 100-year-old integrated steelworks was the last straw in three decades of decline in the traditional industries which had made the Ruhr the cradle of Germany's industrial revolution.

It was a protest which sparked a nationwide response. The steelworkers and coalminers of the Ruhr held a candlelit vigil which stretched from Duisburg to Dortmund, from west to east of the region which remains the greatest industrial agglomeration in Germany.

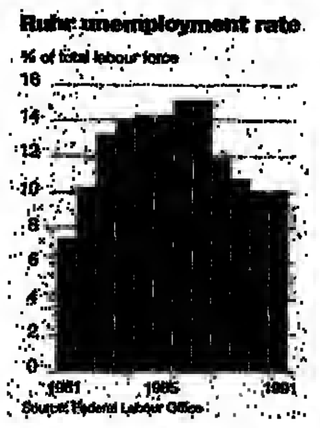
The protest marked a turning point for the region. Sympathy and support poured in. Not merely the politicians, but the business community was galvanised into action. Krupp reversed its decision to close Rheinhausen, and 2,000 jobs were saved.

This year, the steel crisis has struck again, and the plant at Rheinhausen has closed for good. And yet this time round, the protests have been half-hearted, and the national sympathy decidedly muted. The mood on the Ruhr has changed.

One reason may be sheer exhaustion. The inevitability of a radical restructuring of Germany's steel industry, efficient though it is in west European terms, has finally percolated through to the labour force. There is also a realisation that in the depths of a national recession, and with the huge burden of rebuilding a united Germany weighing on the public purse, the Ruhrgebiet is on its own.

Another reason is more hopeful: the experience of the past six years has shown that there is another alternative for the Ruhr to its traditional industries. Not only are new industries springing up in place of the old, such as environmental enterprises created to clean up the damage of the past, but the coal and steel giants are themselves diversifying.

There is a new mood of determination to prove that the Ruhr valley, the last and most modern of Europe's heavy industrial heartlands, can find a new lease of life.



Ruhr industrial landscape: the race is on to promote new technologies and intensive manpower training

What happened after the first Rheinhausen crisis was critical. Three important initiatives were launched to give new impetus to the painful restructuring process, and ease the transition from the steady decline of coal mining, iron and steel to new industries providing the guarantee of new jobs for the 5.5m population.

For the first time in years, the whole business community lined up with the state government to reverse the decline. Thirty-five leading businessmen joined forces to found the Initiativkreis Ruhrgebiet, each contributing DM1.5m to a lobby group intended to transform the grimy image of the area, and revive its self-confidence.

"The business community said: 'We cannot leave it all up to the politicians,'" says Dr Elke Esser, director of the organisation. Led by the late Mr Alfred Herrhausen, chief executive of Deutsche Bank, they committed themselves to step up their own investments in the region, and to launch a series of high profile cultural and sporting events to put the Ruhr back on the international map.

At the same time, the state government of North Rhine-Westphalia launched its own Zukunftsinitiative Montanregionen, or initiative for the future of the coal and steel regions. For the first time, the plan abandoned the long-running effort to preserve the industrial structure of the region, and sought instead to promote innovation, new technologies and new training to replace the old industries.

The state government also threw its weight behind another ambitious project to blend the old structures of the Ruhr with the new: the Emscher Park international building exhibition, a 10-year programme, covering 17 towns and 2m people, to transform the most depressed part of the region into a place worth living and working in.

Perhaps it was more good fortune than design, but the launch of those initiatives coincided with a turning point in the local economy.

Unemployment, which had been rising steadily in the region from a low point of less than one per cent in 1970, peaked at more than 15 per cent in 1987 and 1988. Since then it has slowly declined, although it still remains over 11 per cent, well above the national average.

The net emigration of the population also ceased, and a new inflow of immigrants – mostly German-speakers returning from eastern Europe – reversed the trend. New jobs were being created fast enough not only to reduce unemployment, but to absorb new market entrants, too. Between 1965 and 1985, total employment in the region fell from 2.37m to 1.92m.

From 1985 to 1991, 237,200 net new jobs were created.

That is not to say the challenge is not huge. In the past 30 years, the region has lost more than 100,000 steel jobs, and some 240,000 in the coal mines alone. Latest forecasts by the RWI economic research institute in Essen suggest that 50,000 more will be lost by the steel industry in the coming years.

Coal mining production has tumbled from 115.4m tonnes in 1960 to barely 50m tonnes today. That level of production still depends on massive state subsidies, through the so-called "coal penny" imposed on household electricity bills. The whole basis of the subsidy system is under review, with pressure from Brussels to phase it out rapidly.

On top of that threat, the competition for new investment from the former east Germany has been intense. And yet the promoters of the region are remarkably sanguine.

"We won't have much chance this year and next to attract new investments, because most enterprises have spare capacity," says Mr Gerd Fröhlich, chief executive of the Emscher-Lippe agency, responsible for promoting the north of the region, the real heart

Continued on next page

Ruhr Valley becomes a world centre for developing environmental technologies

Industrial clean-up on a grand scale

WITH 2,300 enterprises involved in environmental technologies, the state of North Rhine-Westphalia is home to 25 per cent of all German companies working in this sector. Two-thirds of these businesses are located in the Ruhr itself – and e third of them were launched within the last 10 years.

For Mr Klaus Matthiesen, environment minister for North Rhine-Westphalia, this development is a good indication of the way Ruhr industry is being restructured.

"Our concern for the environment is a major factor in creating new jobs," he says. More than 150,000 people now work in environment-related industries.

The Ruhr has proved to be e leading area for companies wanting to diversify into environmental technology. According to Mr Matthiessen, DM6bn will have been invested by 4,500 companies in the region to meet environmental air standards alone, between 1990 and 1994.

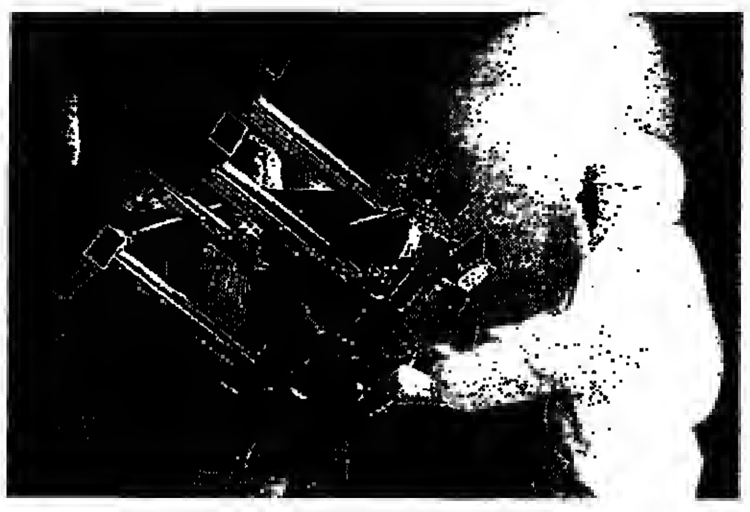
This follows DM13bn invested in clean air technology between 1983 and 1989 when the level of dioxide emissions in the region was cut by *80 per cent.*

With three times the population density of other German states and the largest coocentration of heavy industries in Europe, North Rhine-Westphalia has been at the forefront new environmental standards in Germany.

Much remains to be done to make the Ruhr a clean place, however. There are still 3,500 abandoned industrial sites which are thought to be polluted. But great progress has been achieved over the last 20 years – "the bulk of the cleaning-up in the Ruhr is done," says Mr Mattiesen. "The market created by strict environmental standards has fostered an industry which, today, is at the leading edge of environmental technology."

"Efforts are now focussed on pollution prevention, rather than just repairing past damage."

Investment in clean-up projects reached a peak in 1987-88. Companies in the region anticipate big opportunities for exporting environmeotal equipment and services. The Ruhr is bome to some of the largest *names* in the business, including Thyssen, Babcock and Steinmüller. Thyssen, for example, achieved sales of nearly DM2bn in 1991-1992 witb products and services for reducing pollutants. Its subsidiary,



Old and new technologies: heavy engineering work at Krupp's engine works, Essen, contrasts with advanced powder metallurgy (right) at a modern Krupp plant. The Ruhr's industrial importance dates from the early 19th century when the Krupp and Thyssen companies started large-scale steel production and coal mining. In recent years, stringent environmental regulations have been enforced in the region.

Thyssen Engineering, makes equipment for desulphurisation and the removal of nitrogen in power plants and garbage incinerators. Thyssen Sonnenberg has been active in recycling activites, including the running of one of the largest shredder plants for scrap metal in Germany. Babcock has also been a leading player in the sector for 25 years, having installed dozens of waste incineration plants across the country. Meanwhile, new projects are under way which will strengthen the Ruhr as a leading centre for environmental technology. For example, in Duisburg, in the heart of the region, RWE, the German power group, plans to build one of Europe's largest waste-recycling plants. Construction begins next year and the complex could be operational by 1997. The investment, funded by RWE and Thyssen Handelsunion, is estimated at DM600bn. The aim of the two companies is to position themselves as the most cost-efficient recyclers in Germany. The project aims to take advantage of strict "green laws" being considered by the government to force manufacturers of consumer goods to recycle most of their waste products.

Clearly, this type of project is an important boost for regional subcontractors. According to Mr Michael Stock, technical director, at least 48 per cent of the investment goes to German companies while the rest is handled by foreign enterprises. However, these highly-automated plants provide relatively few jobs in the Ruhr. The entire plant will employ less than 200 people.

"Structural changes in the Ruhr won't solve the problem of unemployment from former heavy industries," says Mr Matthiesen. "The jobs lost in the steel mills and coal mines will not be replaced by companies producing environmental technology."

According to a study by the Westdeutsche Landesbank, more than half of the environment-related companies employ less than 100 people – and 86 per cent of them have less than 500 workers.

For Mr Matthiesen believes it is important that tax advantages – begun in the 1970s – are re-introduced for companies investing in cleaner industrial environments.

Ariane Genillard

Coal power station at the Rhein-Herne Kanal at night

■ THE COAL INDUSTRY

Diversifying into new areas

BAD news is not new at Ruhrkohle. Producing 80 per cent of Germany's hard coal output, the state-subsidised company bas had to cope in the last three years with the twin prohlems of domestic recession and empty state coffers.

Declining industrial orders from steel mills and a slowdown in electricity consumption have sparked a political debate which could revise the company's planned output level and which threatens to accelerate the coal mine closures.

Under the restructuring plan, 12,000 jobs are due to go within the next two years. But joh cuts could douhle, according to the company's estimates, as a result of falling output in the steel industry, plus calls in Bonn for a cut in state subsidies to support the Ruhr coal production.

However, a hright spot can be found in Ruhrkohle's attempts to prove itself as a viable competitor in non-coal areas. While 98 per cent of Ruhrkohle's turnover came from coal mining 20 years ago, the company has diversified – 39 per cent of its husiness is now in environmental technology, trading, power engineering and construction.

Steag, its largest non-coal subsidiary, operates power plants for district heating and offers related environmental and engineering services, and has seen profits rise in the last three years. Steag employs 4,500 people and bad a turnover of *DM3.5bn last year.*

Engineering services offered by Steag have been particnlarly profitahle, rising by 13 per cent last year to DM48m. Waste management for power plants also increased hy 15 per cent in 1992 to DM102m.

Steag has also made advances in ventilation and clean-air technology. Following aggressive marketing abroad, especially in the US and Asia, orders for these divisions increased last year hy 23 per cent and turnover rose by 48 per cent.

Growth is also under way for Ruhrkohle Umwelt which specialises in waste management. The suhsidiary, with 1,500 employees, reported a turnover of DM525m last year; profits for the four-year-old company were DM14m.

Ruhrkohle's turnnver this year is expected to reach DM900m *as* the company increases its stakes to majority ownership in the Richard Buchen company, which specialises in waste disposal and Weber Umwelttechnik, a Baden-Württemherg waste management company. Ruhrkohle Umwelt also plans to invest DM400m in new plants.

A significant investment will go toward developing a recycling plant for plastics in Bottrop, which involves eoergy recovery for a oil refinery run by Veba, the large Düsseldorf-hased power group. There, Ruhrkohle Umwelt intends to tap into the lively growth area of plastic recycling, for which Germany has the highest quotas in Europe.

Plans include increasing plastic recycling capacity from 12,000 to 40,000 tonnes. With more than a million tonnes of plastic waste produced each year in Germany, officials at Ruhrkhole Umwelt are confident about the returns on such an investment.

Another growth area for Ruhrkohle Umwelt lies in the cleaning up of contaminated sites. Last year, it cleaned up more than 80,000 tonnes of contaminated soil; and abroad, it is researching ways to clean-up war-damaged areas of Kuwait.

Meanwhile, with Ruhrkohle's traditional coal business facing increased difficulties, the company's newer non-coal subsidiaries are setting their sights on potential markets in eastern Germany.

Steag, for instance, is involved in supplying district *heating* in the town *of Zwickau* where it is collaborating with RWE and Bayernwerk, two of the largest west German utility groups. Steag will also modernising power supplies in tha town of Leuna where it is building a gas and steam turbine co-generation plant.

Similarely, Ruhrkohle has positioned its environmental subsidiaries to become a key player in eastern parts of the country. There, Ruhrkohle Umwelt plans to increase its turnover from DM70m to DM90m. It is also participating in the biggest clean-up operation for the region's brown coal fields.

But the bright prospects of Ruhrknhle's non-coal subsidiaries have been dampened by the plight of Germany's coal industry.

While sales in nnn-coal operations are expanding, this success is not in labour-intensive areas which could offset job losses in the coal business. Moreover, growth is also taking place mainly outside tha Ruhr region.

A three-year-old subsidiary of Ruhrknhle now offers vocational teaching for 6,000 employees a year, of whom 3,500 are workers involved in projects in eastern Germany.

These schemes, bowever, are of little help to the 12,000 workers which are due to leave the company by the end of 1995. The diversification of the company provides relatively small compensation for the problems in the coal sector, which remains its core husiness.

Ruhrkohle had further bad news from the steel sector this summer. The company is now negotiating with leading German steelmakers who want to renege on a contract to buy coke and coking coal from Ruhrkohle until the year 2000. The contract was originally devised as a lifeline for the company, whose subsidised coal and coke is too expensive to be competitive abroad.

Despite its progress in non-coal areas, Ruhrkohle remains irrevocably tied to the future of coal-mining. The Ruhr itself faces a tough challenge in absorbing the job losses following the closure of mines. The figures are revealing: in 1970, more than 191,000 people worked in the Ruhr's mining industry; a decade later this had fallen to 140,000; then to 100,000 in 1990. Today the total is down to 89,000.

Ariane Genillard

Investment boost

Continned from previous page: land of coal mining. "I don't see much competition with the east just now, hut the reason is there is no demand. Normally, for capital intensive investment, we would have no chance. The advantages in the new federal states are much more obvious. They can offer double the level of direct subsidies. But we can offer planning certainty. We can get huilding approval within six weeks. We can offer suppliers very good connections, a good technical basis, and trained personnel."

He believes that for foreign investors, like the Japanese, it is planning certainty, and the reliability of the local partner, which is more important than the immediate cost of an investment. He also suggests the Ruhr must think long-term: "It's not just a matter of attracting big investors. We must go for small businesses, and we must promote co-operation with our universities. We must do more to make the region attractive for higher qualified people. We have a very well developed green infrastructure, and a wealth of cultural facilities. Everything is there. But we lack good housing for highly qualified workers."

Ironically, she believes part of the problem is that property prices are too low – "you pay *DM2,000* a square metre in Munich, DM1,000 in Frankfurt, and DM800 in Dresden. Here you can pay as little as DM50 to DM100 a square metre."

That means private developers are not attracted. Yet in spite of the scale of the challenge, indeed perhaps because of it, the Ruhr is looking up.

"Within a very short time, the region has become attractive for investors because of its human potential and an affordahle quality of life," according to Prof. Klaus Kunzmann, of Dortmund University's planning institute. "For others, it is an innovative laboratory of regional change. The Ruhrgebiet is no longer a loser, a place to avoid."

A fight for survival

WITH German coal mines redncing their outpnt, the medium-sized companies which produce mining equipment in the Ruhr are set for a fight for survival, writes Ariane Genillard.

One move to boost business has been to establish a consortium to sell mining equipment in Russia. But in order to solve the problem of the Russian companies' lack of hard currency, e barter deal will be hrokered by Raab Karcher, the diversified trading arm of Veba, the Düsseldorf-based energy group.

Raab Karcher, which had a turnover of DM10.5bn in 1992, is interested in developing business links in the former Soviet repuhlics. It has recently signed a contract to import 350,000 tonnes of coal from the Karagandaugol mine in Kazakhstan. Proceeds from coal sales, to be marketed mostly in Germany, the UK and France, will partially go toward repaying the German enterprises delivering mining equipment in Russia.

The barter deal, which will be partially financed with snbsidies from the state of North Rhine-Westphalia, aims tn give a boost to small mining equipment producers by opening new markets for them in eastern Europe. Manufacturers of mining equipment and spare parts are struggling to cope with falling orders as German mines plan tn reduce hard coal capacity from the current 65.5m tonnes ontput to an estimated 50m tonnes by the year 2005.

For Raab Karcher, the local market fnr imported coal could grow, however. German utilities and steel gronps are contractually obliged to bny coal from the Ruhr valley at the subsidised price of DM288.

Meanwhile, imports of bard coal, which last year reached 14m tonnes, can be sold to smaller industrial users at prices ranging between DM70 and DM80 – a market which Raab Karcher hopes to tap into.

RELAUNCHING THE RUHR 3

Education and manpower training

Plan for a high-tech future

AT the beginning of this century, the region was called the "Red Ruhr" – feared by the authorities as a dangerous hot-bed for socialist ideals. To keep the Ruhr under control, Kaiser Wilhem II pledged then there would be "no students and no soldiers" in the region.

In 1993, the Ruhr is still ruled by the political left, personified by Mr Johannes Rau, the state's popular, grey-haired prime minister. But now, far from having "no students," North Rhine-Westphalia claims to have more universities and centres of higher education per head than any other area in the European Community.

Higher education and vocational training are two important trump cards which local politicians display when asked about the region's attractions.

A walk through the depressed city of Rheinhausen, where the steelmaker Krupp closed a plant last August, vividly illustrates why manpower training schemes are politically crucial to employment in the Ruhr.

The hope is to foster more high-technology companies which brought prosperity to the southern states of Baden-Wurttemberg and Bavaria. Two key ingredients are essential: a diversified, export-driven industrial base and a highly trained workforce. Heavy industry has made great efforta to diversify. The Mannesmann group is an example – it once mined coal for factories which manufactured seamless metal tubes. Today, it has diversified into electronics, hydraulic systems, plant construction and engineering.

To offer industry a better-qualified workforce and to attract new businesses to the region, state officials have funded an array of higher education facilities.

North Rhine-Westpbalia now has 50 universities and vocational training centres, most of them located around the urban centres of the Ruhr. Moreover, there are 10 branches of the famous Mex Planck Research Institute, five branches from the similar Fraunhofer Society and 24 technology-transfer offices regrouped in three state-run research centres.

Stete officials view this educational framework as vital support for the region's industrial diversification. In the city of Dortmund alone, the eight-year-old technology transfer institute is believed to have created more than 1,000 jobs for the town in the last three years.

More than 170,000 students are now attending the Ruhr's 15 universities and polytechnics

The aim is to provide job opportunities as much for today as for the years ahead – "there is a generation problem," explains Ms Anke Brunn, state minister for science and research. "We don't expect miners to start manufacturing computsr chips. But their sons and daughters – they *are* studying in preparation for new technologies. That is a crucialstep for a properous future."

To qualify for state funds, universities have to offer programmes specifically geared for new regional industries.

For exampte, the vocational training centre which opened last year in Gelsenkirchen offers teaching in waste management and in engineering – two important growth areas in the Ruhr.

The Fachhochschule-Gelsenkirchen, which is the latest (and 50tb) centre to open in the Ruhr, now trains 2,000 students and hopes to increase this number to 3,000 next year – "we teach engineers how to sell engineering products because this will be es important in the future as manufacturing itself," explains Mr Peter Schulte, the rector.

The centre is also geared toward training people to be active on an international level. It is, for example, holding talks with Britain's Hallam University in Sheffield about a student exchange programme.

Mr Schulte admits, however, that much remains to be done to have education meet the needs of the industries in the Ruhr. Critics claim that vocational training is often removed from the realities of the workplace, not least because some professors, who are civil servants enjoying lifetime employment with little incentive to reform the curriculum.

Moreover, few educational centres offer flexible programme schedules for workers needing mid-career retraining – "most people who want to change their professions or who need to increase their qualifications must leave their jobs in order to attend a university," explains Mr Schulte.

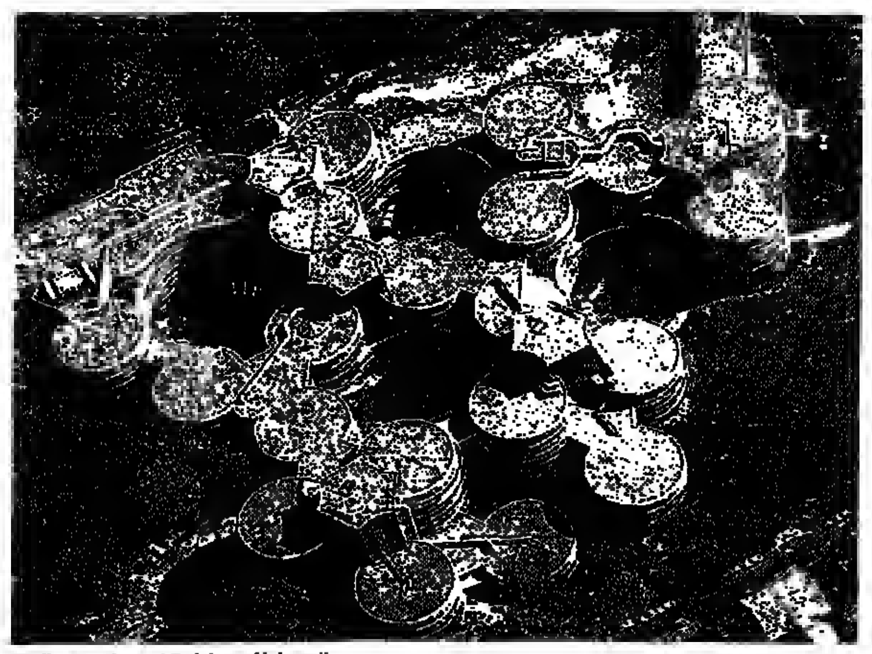
For Ms Brunn, the minister, educatioo bas to become more of a partnership between private and public sectors. Companies must increasingly focus on ways to increase staff training to meet technological change, she says.

"We need to introduce greater flexibility in work schedules to allow people to take evening classes and to retrain while they are working."

Some convenient courses have started. For example, at Bocbum University, built, symbolically perhaps, above an old, abandoned coal mine, strong emphasis has been put on Russian and Japanese language courses, scheduled at convenient hours for working people. But such examples remain all too rare, officials admit.

These facilities can serve as models for other areas of the country. This autumn there will be fresh discussions at government level on ways to improve links between educational establishments and the labour market.

Ariane Genillard



Bird's eye view of Duisburg University

The Emscher Park international building exhibition

Strong catalyst for change

An ambitious plan is under way to transform the history and heritage of the Ruhr into an architectural and industrial celebration, reports **Quentin Peel**

MR WILLIAM Thomas Mulvany – who was born in Dublin in 1806 and died in Düsseldorf in 1885 – would have been proud of it.

In 1866 he started sinking the first two deep shafts of a coal mine in the fields near Castrop-Rauxel, an unlikely Irish entrepreneur who joined the "coal rush" which launched the German Ruhrgebiet, and with it, Germany's industrial revolution. He called it nostalgically Erin, after his native land.

It was always e battle to prevent the pit from flooding, and after a decade, Mr Mulvany sold Erin, and a second colliery, Hibernia, at Gelsenkirchen, to the new generation of German capitalists emerging in the region.

Today, the pit-head winding gear over Shaft Number Four stands lovingly restored, painted an appropriate bright green, bearing tbe name of Erin in huge capitals, as the symbol of e new industrial estate emerging from tbe wasteland left behind hy more than a century of coal mining.

By 1895, the pit was producing 430,000 tonnes of coal a year, and employed 1,458 men. In 1973, at the height of the oil crisis, it reached a peak production of 1.48m tonnes. And on December 31, 1983, it closed – priced out of the market.

The pit heaps have vanished, and the contaminated earth surrounding the former coke works has been bulldozed into modest hillocks to decorate a new landscape. Saplings have already been planted in neat avenues, and they are starting to dig out an ornamental lake to decorate the site. DM30m has been set aside by the state of North Rhine-Westphalia to bring back a bit of green to the land of Erin.

The industrial estate at Castrop-Rauxel is just one of more than 80 projects in an extraordinarily ambitious plen to transform the history and heritage of the heart of the Ruhr into an architectural and industrial celebration – and thus lay the basis for new industry, new jobs, and a new environment for the area.

The Emscher Park international building exhibition was conceived back in 1988 as a way of combining the disparate efforts of 17 towns and cities, with a population of more than 2m, and covering an area of some 800 square kilometres, into a concerted effort to revive the entire region.

"They call this the Emscher zone, which sounds very disparaging in German," says Mr Dieter Blase, a project leader at the headquarters of the exhibition, housed in the converted transformer building at the former Rheinelbe colliery in Gelsenkirchen.

"This is the heart of the region's problems, the result of a century of chaotic urban development. Our task is to heal the landscape, and at the same time attract new industry. We are trying to integrate old and new buildings, and to ensure the highest quality of the projects. We are trying to bring back a sense of pride, a culture of architecture and construction to the region."

The idea of the building exhibition goes all the way back to the 1851 Great Exhibition in London, when the Crystal Palace was built, and since then

The international exhibition was conceived back in 1988 as a way of combining the disparate efforts of 17 towns and cities in the region

has been repeated in cities like Stuttgart in 1927, Hanover in 1951, and Berlin in 1957 and 1987. But this is the first time it bes been attempted over such a wide area all at once.

It covers the entire area from Duisburg in the west to Bergkamen in the east, a corridor of 80 kilometres along the line of the former Emscber river and the Rhine-Herne canal.

The fundamental idea is to create an Emscher country park, with large expanses of green space for recreation, linking the unused land between the cities. In addition, there are four main project areas designed to provide a focus for the exhibition:

■ To revive and redevelop the Emscher "river," which is today not a river but an open sewage system; it involves the ecological redesign of 350 kms of open sewers, and the construction of biological filtration plants, as well as an attempt to reconstruct a natural river.

■ Under the slogan of "working in tha park," to develop a number of high-grade industrial and commercial sites – like Erin – on former coal, iron and steel sites.

■ Under the theme of "new housing and forms of living," to renew the best of existing workers' housing settlements, like garden villages, and create new housing with a high architectural value.

■ To preserve the most important industrial monuments to keep the region's history alive, and find ways of using the old buildings for new purposes. Virtually all the projects in the exhibition have been organised as competitions, with the 80 schemes under way chosen from 450 originally submitted.

The most glamorous – and dramatic – is the plan to transform the inner harbour at Duisburg, the great steel-making city where the river Ruhr flows into the Rhine, intended to re-integrate the old city centre with its industrial heart.

There the competition was won, out of 47 contestants, by an ambitious design from Sir Norman Foster, the British architect, to build a great semi-circular block of offices and service-industries around the inner basin of the harbour, while at the same time renovating the warehouses and mills which line tha waterfront. The problem remains to attract enough outside private investment to make such an ambitious DM100m project viable, and, so far, the more modest schemes in the rest of the area are making more rapid progress.

At the former Waltrop colliery, for example, the whole complex of mine buildings erected just before the First World War is being converted into units for small businesses, at a cost of some DM25m. A furniture maker is already booked to move into the old locomotive engine house. A print shop will be in the milk bar, and an architect's firm in the old machinery control room. There will be offices in the wages hall, where the miners drew their weekly pay, a car repair company, and a steel erector, on green field sites next door.

All are local companies seeking to expand, rather than new investors attracted to the region. Mr Blase is conscious that the marketing effort needs to improve – "till now there have been only bad sites available," he says. "Now for the first time we're producing good sites. But we need to get the right people to come in.

"The economic promotion people are working very traditionally, and simply marketing the sites. By next year we will have an excess of sites, so they must start looking for investors with innovation potential, who are set to expand."

He sees one big advantage over similar attempts to restructure old industrial areas in Britain: the Ruhr region is the most modern of Europe's old industrial areas, and the basic infrastructure does not require modernisation. There is an excellent autobahn system, with ample capacity, and good rail links.

"Our idea of structural policy is very different to the British idea," he says. "Here, it is primarily a question of networking and co-operation, bringing people together to produce new ideas."

He cites as an example, the need to persuade traditional Ruhr construction companies, for years the leading specialists in railway construction, shaft-sinking and tunnelling, to switch to the new growth area of water supply and sewerage replacement schemes – as required by the reconstruction of the Emscher river system. That is precisely how he sees the building exhibition as a catalyst for change, and new growth.

And yet, in a curious way, history also repeats itself. At Erin, the main problem faced by the new industrial estate is how to prevent the water in its artificial lake leaking into the old mine workings. Mr Mulvany, whose mine was flooded out three times, and finally abandoned for 10 years before they mastered the problem, must be wearing a wry Irish grin.

Rheinelbe Science Park

Solar showpiece arises

THE key to the character of the Rheinelbe Science Park, now being hnilt on the site of the former Thyssen crude eteel works in Gelsenkirchen, will lie on the roof.

Two enormous glass saile will rise from the twin towers of the new building, and along its entire 350 metre-length will march serried ranks of three metre-square glass panels.

The whole complex will add up to the largest roof-based solar power plant yet to be built in Germany, and the plan is to provide all the communal power needs of tha 17,000 sqnare metre bnilding from the sun.

Professor Dieter Otten, the chief executive of the sclance park, who thought up the idea, and pusbed it through, sees it as a natural development of the history of the Rnhr region.

"For years we have been prodncing solar energy in fossil form - coal," be says. "That has tbe added disadvantage that it prodnces carbon dioxide.

"The science park, linked to the Ruhr's tradition of energy production, will show we can produce a technology for the fnture, out of future energy."

He admits that it was hard to persuade the backers of the sctence park - the Nortb Rhine-Westphalian state govarnmant, tbe Emscher Park international building exhibition, and local industry - to support his tnvestment. "The idea did not have many supporters. It was opposed particnlarly by tbe people representing traditional technology."

Professor Otten had, bowever, a second line of attack: the solar energy panels could be produced in Gelsenkirchen ltself, in precisely the sort of public-private sector co-operation which the science park is designed to promote. The panels will be produced by Flachglas, the Pilkington glass-making eobsidiary in the town, and designed by Flagsol, its solar energy snhsidiary. The other partner in the venture is Britain's BP, wblcb produces the photo-voltaic cells used in tbe solar panels.

That appeared to clinch the plan. Now the entire science park is intended to be focussed particnlarly on all possible uses and development of solar energy.

"The solar energy power plant will be our external symbol," Professor Otten says. "Our aim is to attract as many people bere as possible, to set np training programmes and seminars on the uses of solar energy. We expect masses of solar energy tourists to come visiting."

Among the first occupants of tbe science park will be an institute for applied photo-voltaic technology, as well as an organisatlon appropriately called Zeus - the centre for energy conversion and storage.

Forty per cent of tbe DM7.5m costs will be horne by the Enropean Commnnity's research programme, and 10 per cent by North Rhine-Westphalia. The future tenants are expected to finance tbe difference.

Mr Joachim Benemann, chief executive of Flagsol, is quite clear why be, and Flachglas, are involved. "Our aim is simply to find all possibla ways of increasing the sale of glass," he says. The company has now set np a special production unit in Gelsenkirchen to produce the panels, using a special techniqne of pouring resin between two panes of glass to seal the solar cells in place.

"I was not convinced it was going to work," he said. "The breakthrough has yet to come in Europe. Some say it is too expensive, and that we don't have enongh sun. But it's e technology that no one can criticise."

Which is no doubt wby the unlikely site of the industrial beart of the Ruhr region has been chosen for sucb a high-profile experiment in solar power generation. "We want to prove that it is a perfectly effective, conventional source of power," Professor Otten says. "The EC wants to use it as a demonstration project, to sbow how the latest technology can be intelligently nsed in the public grid.

"The demonstration effect will be mucb greater than if it were buried somewhere in the countryside. Yon will have a power plant, a mannfacturer, and an institute for applied solar energy, all in the same spot. What more can you ask for, if you are studying uses of solar energy?"

Quentin Peel

Pressures on regional power suppliers

An exclusive club

THE RUHR region boasts the headquarters of two leading electricity utilities, RWE Energie in Essen and VEW in Dortmund. Both companies belong to an exclusive club for utilities owning the high voltage grid, the Deutsche Verbundgesellschaft.

RWE Energie is the most powerful of the nine club members, with a high voltage grid four times the length of VEW's. RWE was founded in Essen in the heart of the Ruhr region in 1898 by Hugo Stinnes, the famous industrialist known to competitors as "the black-bearded Assyrian," wbo emerged after World War I as Germany's "Business Kaiser," controlling coal mines, steel mills, banks, newspapers, hotels, shipping lines – and electrical plants.

RWE, partially communally-owned, steadily expanded and evolved over the decades to become Germany's largest electricity utility. In 1990, the company wae restructured to form the RWE Holding in which utility RWE Energie constitutes just one of six sectors.

The other big electricity utility in the Ruhr was set up in the 1920s: the Vereinigte Elektrizitaetswerke Westfalen (VEW), based in Dortmund. VEW was formed by the fusion of several communally owned regional supply companies.

Shortly afterwards, VEW and RWE signed an "electro-peace treaty" – a demarcation contract – agreeing not to trespass upon each others' territory. Such contracts, allowed as exceptions under German competition law, now exist between all nine "Verbund" utilities.

Today, VEW is west Germany's fourth largest ntility in terms of electricity sales. It has rapidly expanding gas distribution and waste disposal sectors.

Both RWE and VEW are partly publicly owned, with anachronistic multiple voting rights giving the communal shareholders an influence disproportionately large in view of their minority capital sbares.

With electricity sales falling – VEW sales were down 1.6 oer cent in 1992, RWE-Energie sales down by 3 per cent in 1992-93 – the utilities have a growth problem. Potential in east Germany and eastern Europe exists, but it is developing very slowly.

Strong talk by the European Commission and the German Federal Cartel Office (FCO) over the introduction of more competition in the electricity sector have added impetus to a trend in which smaller utilities seek to hitch themselves up with larger ones.

The "minnows" hope that if and when the free-for-all for electricity customers begins, this overlapping of interests will prevent the large utilities from snapping up all their lucrativa customers. The pattern does not stop here – even the larger utilities are consolidating their positions. And the FCO in Berlin appears to have only limited power to stop this trend.

A warning came from the chairman of RWE, Dr. Friedhelm Gieske this April: "Competition within the energy sectors, bound hy cable or pipeline transmission, will inevitahly lead to concentration so that the large companies will become ever bigger. Thia would ultimately help us, but would he a political mistake and therefore is not something we want."

Recent developments in tbe Ruhr illustrate the creeping concentration in the electricity sector. Tbe city of Dortmund has a concession contract, expiring in 1994, under which VEW is its exclusive electricity supplier. Initially, the Dortmund municipal Stadtwerka dreamed of taking over the city electricity supply. However, sobered by VEW's demands for a payment of around DM1bn for the Dortmund transmission grid, the Stadtwerke agreed to a compromise. VEW and the Stadtwerke will found a joint supply company, Dortmunder Energie und Wasserverorgung (DEW) for the electricity, gas, district heating and water supply to tha city.

The FCO has approved tbe deal but imposed two conditions. First, the contract is valid for only 20 years. Second, VEW is not allowed to use its minority voting rights to influence Stadtwerke Dortmund decisions over the source of DEW electricity supplies. In fact, the choice of supplier is very limited anyway. The only alternative to VEW is the regional utility Elektromark, in Hagen. And the Stadtwerke has already decided to continue taking electricity from VEW.

The FCO'a attempt to preserve an element of competition is weak. Observers wonder if Dortmund is likely to change suppliers after 20 years of co-operating with VEW – and if Elektromark atill be around in 20 years, in any case. Elektromark'e supervisory and executive boards have strongly recommended linking up with RWE Energie and VEW by selling each of them a 10 per cent block of shares. The link with RWE-Energie is designed to intsnsify co-operation in the electricity sector, the connection with VEW serving links in the waste disposal sector. Elektromark is also selling its 300MW sbare in the Emsland nuclear power station in equal shares to RWE-Energie and second largest German utility, Preussenelektra, to the discomfort of VEW whicb owns the other 75 per cent.

Such manoeuvres are by no means limited to the Ruhr. Elsewhere in Germany the larger utilities are also consolidating their positions. The Bavarian Bayernwerk is moving rspidly closer to a merger witb the Viag Group.

IN Baden-Wuerttemberg, utilities Badenwerk and Energie-Versorgung Schwaben have been permitted by the FCO to merge on the grounds that there was no competition between the two anyway. Other smaller electricity companies want to join, too. They fear that if the electricity sector were liberalised there would otherwise be little to stop Badenwerk/EVS taking their best customers.

Hannover has decided to sell 40 per cent of its municipal utility. Twenty per cent goes to German gas giant, Ruhrgas, also based in Essen. Thuega, a subsidiary of the giant Veba which also owns utility Preussenelektra, is taking the other 20 per cent. The link with Thuega could belp stave off potential future threats from Preussenelektra to win the Hannover utility's big customers, such as Volkswagen and Continental.

In the Ruhr, the FCO would undoubtedly fight bard to prevent a VEW merger with anothar utility. But as VEW slips down the pecking order of "Varhund" companies and is sandwiched between tha supply areas of RWE and Preussenelektra, observers wonder how long will it be hefore lt, too, decides the electricity business is best carried out "in co-operation" with a stronger partner.

Sara Knight

Victoria Griffith looks at the voice recognition systems ready to hit the mass market

Something to shout about

The concept of "voice recognition" – the capability of computers to understand human speech – has been around for some time, but the limited success of computers in comprehending complex spoken phrases has kept this technology from the mass market.

This may be about to change, as companies turn away from the goal of complete computer fluency to more simplistic applications. "Until now, most of the focus has been on esoteric systems for nuclear submarines, jet aircraft and computers which understand complicated, spoken sentences," says Jerry Gutterman, chief financial officer for Voice Powered Technology, a California company which is working on voice activation for home appliances.

"But in its simpler form, voice recognition technology is already reliable enough to be introduced into the mass market." It is not surprising that one of the first mass-market sectors to embrace this technology is telecommunications.

AT&T, the US long-distance carrier, Nynex, the regional telephone company for the north-east of the US, Northern Telecom, Canada's telephone giant and Motorola, the American communications group, are all heavily involved in voice recognition research, and most already have products on the market.

Several automatic dialling systems using voice recognition have started operation. Nynex has introduced the system to 160 customers in Long Island, New York, where the company claims it has met with success. Instead of pressing buttons by hand, the system allows users to programme up to 50 numbers into their telephone. Each number has a corresponding voice command, such as "home", or "work".

The telephone memorises the command, and the next time the customer picks up the receiver and says the word, the telephone will dial the number automatically. Nynex hopes to offer the service to most of its customers by the end of 1994 for between $4 and $6 a month.

The Lexus car uses a similar system for its Motorola-supplied telephone. The driver of this luxury car does not even need to pick up the receiver. Saying the word "on" is sufficient to receive a dial tone. When the conversation is over, the word "off" will disconnect the line.

AT&T also markets a cellular telephone with voice-dialling capabilities. Voice dialling is a relatively simplistic application because it relies on "speaker dependent" systems. Under this approach, the computer is trained to recognise a single voice.

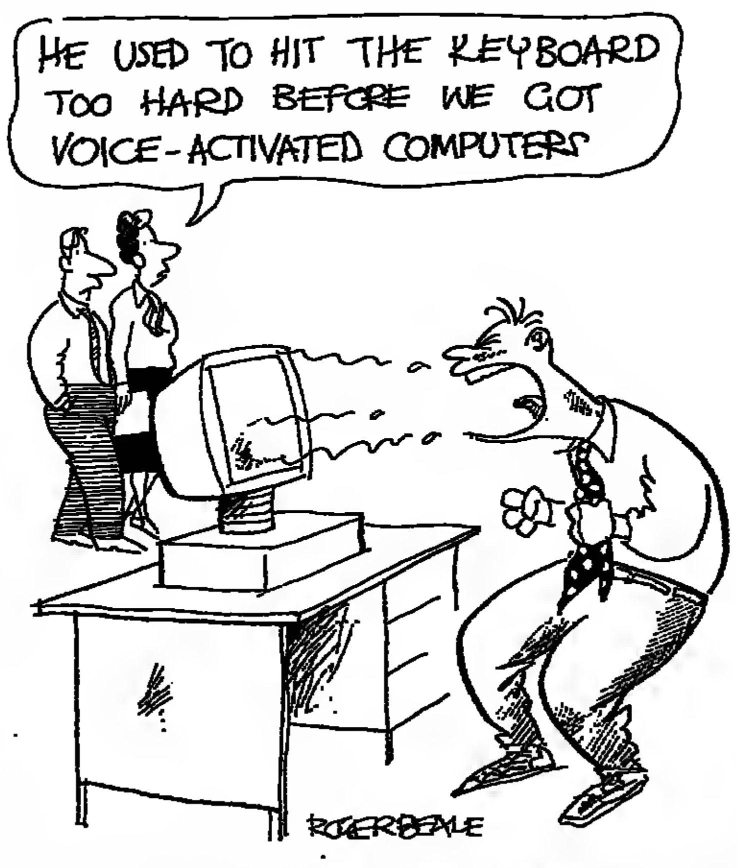
Nynex is considering use of the system to reduce telephone fraud. "If we had telephone cards and cellular telephones that respond only to a specific voice, only one person could use them," says George Vysotsky, technical director of advanced speech systems at the company.

The new system would not only provide a new product for customers; it could also save the group money. Nynex says it loses $1.8m (£1.2m) a month from telephone fraud.

Ultimately, voice-recognition may be used by the telephone sector not so much to offer a new product to customers, but as a means of saving company money. Providing operators to service users is expensive for telephone groups, and their dream is to replace many operator functions with a voice-recognition device.

Both AT&T and Nynex hope to introduce shortly a system which would recognise simple commands such as "collect call" and "person-to-person". One challenge is in teaching computers to screen out irrelevant words. "People don't always use these systems in real life as they do in the lab," says David Roe, supervisor of speech research at AT&T/Bell Labs.

"The computer may ask: 'Would you like to make a collect call?', and the customer will respond, 'Huh? Is this the phone company?' The computer has to be trained to recognise this response as irrelevant, and repeat the question."



Another problem, even with the simplest of speaker independent systems, is coping with a wide range of accents and voice intonations. "It's difficult for a computer to recognise strong accents," says Vysotsky. "Even elderly people and teenagers can pose a challenge."

To overcome the hurdle, Nynex has created "model" words, formed by mixing recordings of about 300 people from various ethnic backgrounds, and age groups. "By synthesising that many versions of a word, we can come up with a pretty good model of what the word 'collect' really sounds like, for instance," Vysotsky explains. Recognising simple words like "collect call", though, is just a first step.

The goal of the telephone groups is to use speaker independent systems for directory inquiries.

Telephone companies in the US and Canada spend vast sums providing directory information. "When voice recognition technology first came up, people thought it would be used for data entry," says Vysotsky. "But that's not very realistic. People get just as tired of talking all day as they get of typing all day. The best application is for information dissemination."

Still, the use of voice recognition for directory assistance presents daunting hurdles. "Besides the problems of making a computer which will recognise so many names, it's extremely difficult to build up such a large database," says Vysotsky.

Northern Telecom of Canada believes it can crack the problem with a new voice recognition technique known as "phoneme recognition". Instead of training a computer to recognise specific words and phrases, the company is training its systems to recognise individual sounds, or "phonemes".

The English language, for instance, is made up of 40 phonemes. "If you use phonemes, as well as a few basic grammar rules, the programming is easier and the ability of the computer to understand becomes far greater," saya Pierre Boisseau, a specialist at Bell-Northern Research, the research and development subsidiary of Northern Telecom.

The company has used the new system in an experiment to provide stock quotations to callers over the past year. The computer recognised 2,500 company names by thousands of callers successfully, according to the group.

By the end of 1994, Northern Telecom plans to use the phoneme recognition system in limited applications for directory assistance. Once its directory assistance system is in place, the company plans to concentrate on an even more sophisticated product, a "personal telephone secretary".

This system would be capable of screening and forwarding calls. For instance, the computer could be programmed to accept calls from a single person or group of people. Most callers would be told that the person they want to reach is busy, however, it would recognise certain names and put them through.

This technology is probably years from the marketplsce. However, voice recognition in its simplest form is already being used by the telephone companies, and is likely to grow in popularity and sophistication. Telephone groups hope that one day, operators will be obsolete, and every telephone customer can access complex voice recognition technology at home.

A robot that makes the coffee

Science fiction ofteo features machines which respond obediently to orders barked out by humans. In the imaginary world, robots fetch slippers, cook dinner and perform the role of high-technology "slaves".

A robot which can perform complex tasks still exists only in the realm of dreams, bnt scientists say we may not be far from the day when we can wake np, shout out "Temperature 72°F! Coffee-maker on! Toaster on!" and get up 15 minntes later to a warm house, fresh coffee and breakfast.

What might make this dream reality is the development of "voice-recognition" technology, which enables machines to understand spoken commands.

Bringing voice-activated devices to the mass market is the mission of Voice Powered Technology. The group already produces a VCR programmer which operates by voice command, and will launch another speech-activated device, a "date-reminder", in the autumn.

Just how many people will prefer to use their voice instead of their fingers in operating home appliances is not yet certain, but the new VCR programmer has caught the attention of Philips Consumer Electronics.

The US subsidiary of the Dutch electronics giant bas contracted with Voice Powered Technology to use the voice-activated programming device in two of its Magnavox VCR models, and as a stand-alone remote control accessory.

"An overwhelming number of consumers still have tronble programming their VCRs," says Jim Newhrough, vice-president of marketing at Philips, "and the use of voice enables us to differentiate our prodncts." The VCR programmer prompts the user by flashing questions on the television screen. In response to the question "Which?", for instance, the user would say a number. The nser can also make the programmer skip over commercials in a recording by saying "Zap it!"

The "date-reminder" device, which will come out this antumn, works in the following manner: the user says a phrase such as "Don't forget to call John Doe, Monday at 9.00 am". The date-reminder recognises the words Monday and 9.00 am, and records the rest of the message. On Monday at nine, the machine will beep and spit out the recording.

The technology used in these devices is relatively simple.

The video programmer, for instance, has a vocabulary of just 31 words.

Both are operated by an eight-bit microprocessor, instead of the heavy digital signal processor that most voice-recognition technology relies on.

"This enabled us to offer the product as a battery-operated device," says Jerry Gutterman, of Voice Powered Technology. The group hopes the simplicity of its technology will allow it to be applied to a number of domestic appliances.

"We are taking voice-recognition to the masses," says Gutterman, "and this technology can be applied to a number of prodncts, inclnding CD players, coffee machines and microwaves."

The day a machins can be commanded to cook a meal may not be so far off, after all.

VG

Forming a brand new gel

Bran, the staple of the healthy breakfast cereal, is earning itself a new image – as a source for a super-gel which could be used in wound dressings, industrial lubricants and food.

GB Gels, of Swansea, has developed a process for making polysaccharide (complex sugar) gels from vegetable and cereal by-prodncts. American corn bran, the waste left after the cereal is milled, is proving particularly useful. The company has already signed a worldwide licensing agreement with Seton Healthcare for the Oldham-based company to use the gel in wound dressings. Seton hopes its first product will be a clear hydrogel which will be used to keep wounds moist and so promote healing, says Graham Collyer, director for product development and regulatory affairs.

Other uses are numerous. The gel could be used as an inert base to carry medicines in ointment form. Because it is bio-degradable, unlike today's synthetic gels, it could be used in agriculture or as a lubricant in oil drilling.

Most importantly it could be used as a gel in the food industry to replace gelatin or gels made from seaweed. Rod Greenshields, chief executive officer of GB Gels, believes US and continental European consumers could be the first to benefit from the developments because the licensing of new food substances is more conducive to the gel there than in the UK. As bran is approved for food use in the US, France and Germany, the gel could easily be approved as a derivative, says Greenshields. In the UK, the new gel would have to go through lengthy approvals as a new food additive.

The process developed by GB Gels is similar to brewing beer. The useable part of the bran is extracted to produce a liquid extract which is treated with enzymes to make the gel. This can be spray-dried if needed to form a powder. It can also be passed through a series of purification processes for truly sterile medical purposes.

Della Bradshaw

PEOPLE

Short-term occupation

The fate of the Occupational Pensions Board hangs in the balance while the government's advisory body on occupational pensions, the Goode Committee, debates the future regulatory framework.

The new chairman, Harriet Dawes, partner at Lovell White Durrant and a specialist in pensions law, acknowledges that she is in a caretaker role. Dawes, currently OPB deputy chairman, has been appointed to head the body until the end of the year following the retirement of Sir Jeremy Rowe.

Peter Lilley, social security secretary, is to make a further announcement after reviewing the Goode Committee's recommendations, due to be submitted by the end of the month. For her part, Dawes says she is far too busy to take on the duties of the OPB permanently even if the body were to continue in its present form. But by all accounts, it will not.

Dawes herself advocates a new regulatory structure and says that unlike the OPB, it should have powers to publicise wrongdoing, set fines or even revoke anthorisation to run a scheme. "If there is to be a regulator, it has got to be clear about whom it is trying to protect; government, members or the industry," she says.

Heron quits Capel for SNC

David Heron, the longest-serving director of James Capel, is cutting loose after 34 years to head up Smith New Court's equity derivatives operation on January 1.

Michael Marks, Smith's chief executive, says Heron will be given a "blank piece of paper" to develop the company's global equity derivatives business. "We were surprised that he left (Capel)," he said, but we were keen to gain his expertise on the sorts of derivative instruments clients want in different parts of the world.

Heron previously ran Capel's derivatives unit, but following the Hongkong Bank takeover, the derivatives business at Midland and Capel has been increasingly decentralised, with, for example, UK equity dsrivatives moved to the domain of stock trading.

Recently his projects at Capel have included a scheme to raise corporate capital for the Lloyds insurance market.

■ Barry Southcott, managing director marketable securities division of CIN MANAGEMENT since 1983, has been promoted to become chief executive following Paul Whitney's move to NatWest Investment Management.

■ QUANTEC, a providsr of investment technology services, is hoping to capitalise on the growing interest among UK fund managers for quantitative applications in stock selection and asset allocation.

It has hired Bruce Pullman, formerly of County NatWest Investment Services – and very briefly at Hill Samuel Asset Management – to head a new investment management consultancy service. The service will help traditional fund managers to incorporate some arithmetic approaches into their product and understand their own performance better.

Pullman moved to CNWIM in 1981 where be set up the bank's quantitative fund management team. Earlier this year, he was recruited to head a team at Hill Samuel, but left after two months following dissgreements over the scope of his brief; he said his departure was amicable.

McNeil to head Bull Europe

The "auld alliance" between Scotland and France was reinforced this week with the announcement that George McNsil, currently heading Groupe Bull of France's UK operations, is to be president and chief executive of Bull Europe.

He is the latest British computer hoss, tempered in the heat of the UK recession, to be singled out for greater things in foreign-owned companies. Geoff Unwin, for example, head of Hoskyns, now has exscutive responsihility for France's CGS, the UK company's parent.

From October 1, McNeil's fiefdom witl include all of Bull's European affiliates with the understandable exception of France.

He will be ths first UK manager to have reached such an exalted level in Bull, a very French operation, and the first to become a member of Bull's group executive committee. It is "a nice, meaty international job", says McNeil, who reports to Bernard Pache, Bull's chairman and chief executive.

Pache, a nswcomer to the computer industry, will no doubt lean heavily on McNeil's experience. Now 50, the Edinhurgh-educated Scot joined Honeywell in 1965 and progressed through the company in a variety of positions including vice president of manufacturing, large companies division, in Phoenix, Arizona.

He believes that Bull UK's early moves to standard systems and a service mentality, setting an example for the rest of the organisation, must have played a part in his latest promotion. His toughest task, cultural differences apart, will be to change mental attitudes in a company which has for so long seen the manufacturing of large computers as its principal activity.

Tunnelling out

Jack Lemley, chief executive of Transmanche Link, the Anglo-French contractors building the Channel tunnel, will step down at the end of the year after the £8.4bn project is handed over to Eurotunnel, the publicly quoted tunnel operator.

The post will be filled by Haro Bedelian from Balfour Beatty who became chief executive designate yesterday. Balfour Beatty is the construction arm of BICC and one of 10 British and French companies making up TML.

Lemley, a US engineer, was appointed chief executive of Transmanche in 1989 as part of a series of management changes after relatinnships between Eurotunnel and its contractors first became strained.

Over the following four years, Lemley was at the centre of negotiations between Eurotunnel and Transmanche over the contractors' claims for extra payments. In the process Lemley's relationship with Sir Alastair Morton, Eurotunnel's chief executive, is understood to have become increasingly difficult.

In May, Joe Dwyer, Wimpey's chief executive, who had worked closely with Lemley, stood down as the British co-chairman of Transmanche and was succeeded by Neville Simms, Tarmac's chief executive. Finally, in July this year, Eurotunnel and the contractors announced an agreement to end their long conflict, setting a target date of December 10 for TML's handover of the project to Eurotunnel and paving the way for a phased opening of the tunnel next year.

ARTS

Pianists play it out in Leeds

There has been torrential rain for the 30th anniversary of the great triennial Leeds contest: or to give it its full title, The Harveys Leeds International Pianoforte Competition. (Since the halfway mark, 1978, Harveys of Bristol have been the principal sponsors.) Founded by Fanny Waterman – who remains its Chairman – and Marion Thorpe, it has become one of the five or six leading piano competitions in the world. Despite, it must be said, having to hold its later rounds in one of the least suitable venues in the country: for the live audience, the lofty vault of the Town Hall can turn piano-sound into queasy mush.

Many of the 76 young contenders this year are prizewinners from other contests. Their number has already been whittled down, to 25 after a first round of 40-minute recitals ("The Jury reserves the right to stop a performance at any time"); and then, after a second round of 55-minute ones, to 12 semi-finalists. Most of the 15-strong jury are distinguished pianists and/or teachers; inevitably some of the contestants, from 23 countries, are or have been pupils of one or another of them, which must require a lot of tact in the jury-room.

Among the semi-finalists heard so far in their 75-minute recitals have been two Italians, of whom the bearded 24-year-old Filippo Gamba stood out. He was strong and thoughtful, if not very warm, in Schumann's *Humoreske*, and unfolded rich textures in two Debussy preludes. In Prokofiev's grandly morose Sonata no. 8, however, he displayed mature power and insight of the first order. It was the hard luck of Luca Ballerini (28), a cool and careful pianist, to have chosen that sonata for his own recital the previous day: a spidery pencil-sketch, against Gamba's full oil-canvas. (They are both students of Maria Tipo, who might have had a word with Ballerini some time ago: "Luca, you *do* realise that Filippo has chosen the Prokofiev for his programme too . . . ?")

Another 28-year-old Tipo pupil, the Brazilian Ricardo Castro, was admirably sound and cultivated in Schumann's *Etudes symphoniques*, in Debussy and in Liszt's "Dante" Sonata, his *pièce de résistance*. Musically and technically he was fully equal to that glorious showpiece, but I missed anything much like magic in the actual sound: a "Dante" that doesn't occasionally make one's hair stand is only half a "Dante".

In his quirky way, Richard Ormrod (19) came closer to that kind of inspiration in the "other" Liszt sonata, the great B minor. There were some odd tempi, and much heavy underlining where none was needed; his best passages, however, struck persuasively to the heart of the music. So he did too, sometimes, in the great Schubert B-flat, despite proceeding headlong through it – not *fast*, but with hardly a pause for breath.

He and Leon McCawley (20) were the youngest semi-finalists, and the only British ones. McCawley's deliciously sprightly, beautifully graded Haydn sonata (H. XVI 50) was a winner, and the Beethoven C minor Variations matched it. Schumann's gentle *Waldszenen* struck me as brittly over-pointed, though interesting, and the strenuous Samuel Barber sonata brave but lightweight. This is nonetheless a pianist with a gleaming future.

David Murray

Cinema/Stephen Amidon

Tina turns out trumps

TINA: WHAT'S LOVE GOT TO DO WITH IT? (18)
Brian Gibson

THE BABY OF MACON (18)
Peter Greenaway

DAUGHTERS OF THE DUST (18)
Julie Dash

ACCION MUTANTE (18)
Alex de la Iglesia

Biopics of living characters are fraught with two potential problems. Either the makers tend to gloss over the story in order to avoid the ire of subject and fans, or else the scandal knobs are turned to full volume so that every lurid whisper can be heard. It is to the credit of *Tina: What's Love Got to do With It* that it steers a course somewhere between these two extremes, making for an engaging and believable star treatment.

Most people have at least some acquaintance with Tina Turner – the ageless legs, the majestic mane of hair, the stadium size voice. What few realised before the recent publication of her autobiography was that for the first 20 years of her career she was on the receiving end of terrible abuse from her husband Ike. It was a storybook romance at first, with Tina (whose real name is Anna Mae Bullock) meeting Ike when she took the stage at an amateur hour at his St. Louis club. Despite a string of powerful R&B records and steady success on the concert circuit, however, Ike and Tina never really hit the big time, always a half step behind whatever trend held sway. The resulting strain took its toll on Ike, who lashed out at Tina with drug-fuelled fits of rage until the late 1970s, when she finally was able to leave him.

Director Brian Gibson tells this often brutal story with admirable honesty, refusing either to pull punches or linger on them. He moves seemlessly through Kate Lanier's strong script, avoiding the melodrama which beckons throughout. The picture has a decidedly authentic look as well as feel – Ike's transformations of dress and coiffure chart the passing years with wry accuracy. Only at the film's end, in which Turner's Buddhism is touted and the star herself appears in a final concert sequence, does the film go beyond drama into the realm of homage.

The two leads turn in powerful performances. Laurence Fishburne is frighteningly charismatic as the brooding Ike – it is easy to see why Anna Mae falls for him as a young man, easier still to see why Tina leaves him two decades later. In a decidedly thankless role, Fishburne manages to win our understanding for Ike's monstrous behaviour without ever asking us to sympathise with it. And Angela Basset is equally fine as Tina, making the singer's long sufferance credible. And a special note for courage should go to James Reyne, who, in the role of Turner's manager Roger Davies, has the unnerving task of portraying the film's executive producer.

Abuse of a different sort is the subject of Peter Greenaway's latest celluloid conundrum, *The Baby of Macon*. Set during the 17th century, the film depicts a play in performance at a provincial French theatre, attended by a young prince and his entourage. The play's action concerns a beautiful child who, after being miraculously born to a grotesque old woman, is believed to be imbued with holy powers. The child's greedy sister claims him as her own, charging supplicants for the baby's grace. She is soon discredited, only to kill the child after he is taken away from her. The city's religious authorities sentence her to death, overcoming a loophole which forbids the execution of virgins by having her raped by 200 men before she is to be hanged.

Greenaway tells this story with his usual self-satisfied and gross pomposity, mixing ornately stylised visuals with truly unpleasant moments. A placenta is tasted, boils and sores are displayed, a young man is graphically gored by a bull, the murdered child is sliced into small pieces for souvenir hunters. In perhaps the film's most unsettling moment, the child, at the age of perhaps four, watches as his sister/mother (Julia Ormond, a shoe-in for trouper of the year) foreplays in the nude with a young man.

Despite the unfiltered gore and cinematic dare, however, the film is stultifyingly boring, as murky and static as a painting badly in need of restoration. Much is written about Greenaway but little is said about just how bad he is at composing dialogue. One wonders what kind of movie he could make if he teamed with someone who understood dramatic writing. On the other hand, as long as he is in charge of both script and direction, it certainly takes away any element of doubt as to whether or not to see the film. Give it a miss. Despite the controversy and attention he somehow manages to engender, Greenaway continues to be the master of making moviegoing the one thing it should never be – drudgery.

Another filmmaker who is not overly concerned with narrative punch is Julie Dash, maker of *Daughters of the Dust*. Set on an island off the coast of South Carolina at the turn of the century, Dash's film concerns a day in the life of the black Peazant family as most of its members are about to emigrate north. Little actually happens in the course of the day, and when it does, it is hard to understand exactly what it is.

Dash films her exotic setting with an exquisite eye, creating some memorable tableaux as she captures the primal mystery of this all-black enclave. Unfortunately, like many visually gifted directors, she has a tin ear, producing a script which at times sounds like an anthropology text, at others is laden with clichés of the "you have to change with the times" variety. And her refusal to spend much time establishing characters or explaining their conflicts makes this more like a stroll through a exhibition of sepia photographs than a full blooded drama.

Which brings us to the comprehensively unhinged antics of *Accion Mutante*. To describe the plot of this bit of insanity is akin to writing a study guide to a Marvel Comic, but here goes. It is the year 2012 and the world is run by beautiful people, with fascist cops administering beatings to any cripples who try to step out of line. Not surprisingly, the disabled feel hard done by, so some of them form a terrorist organisation to strike back. When their leader is released from prison they decide to kidnap an industrialist's daughter from her wedding, spiriting her off to a planet inhabited by crazed miners.

The Spanish director Alex de la Iglesia's film is every bit as bizarre as you might expect. But, despite the promising premise and frantic energy, the film is nowhere near as much fun as it needs to be to grab the viewer. Although there is plenty of gore and knockabout action, as well as a pleasingly idiosyncratic view of the future, the film lacks any sustained wit, at least the sort that can survive translation into subtitles. The result is an inescapable feeling that all this sound and fury signifies next to nothing.

Powerful performances: Laurence Fishburne and Angela Basset as Ike and Tina Turner

'Hair' is wearing thin

Malcolm Rutherford finds the hippies have aged

Hair in the 1990s: between the songs "Aquarius" and "Let the Sun Shine In" nothing much dawns

This is the dying of the age of Aquarius. Sad to say, the old 1968 musical has failed the test of time. The revival of *Hair* at the Old Vic is a doleful occasion. True, not everyone will be entirely surprised. There were those of us who did not think too highly of it in the first place.

This is the first time that I have seen it in England. At least in Germany at the end of the 1960s it seemed to catch a mood in a country that was just waking up. There had been student protests all over Europe. Vietnam was a potent word. In London there was the end of censorship: nudity on stage and more four letter words.

All that now looks old hat. The hippies have aged. Nudity is a commonplace, swearing is a substitute for thought, even the politics looks thin. The best that *Hair* can do for a swipe at John Kennedy is to have the president crossing the stage saying "ask not what you can do for your country, but what Marilyn can do for you."

The production appears to think that it is shocking to use the word "nigger"; actually it is (out of context), but today an audience is simply embarrassed. There is also a remarkably anachronistic view of Lyndon Johnson suppressing the blacks. References to earlier American history look puerile.

None of that might matter if the rest of the show stood up. It does not. The nearest *Hair* comes to a joke is a girl saying "why don't you call me?" to be met with "because you don't have a telephone." The plot doesn't stand up either because there isn't one.

So what? you might say. It's a musical, not a drama. Well, listen to the songs and you will find that they are not what you remember. The best remain the opening "Aquarius" and the concluding "Let the Sun Shine In", but between them nothing has dawned.

Who now cares a hoot for the song called "Manchester, England"? The truth is that *Hair* seemed a strong musical at the time because of the general mood. Even the apparently innocent worship of drugs has now faded, let alone the homage to indiscriminate sex. Too many people have died in the meantime.

What appears not to have died is the admiration for the hippies. Otherwise there can be no conceivable reason for an expensive revival. Yet even there I am not so sure. This was a first night audience, usually primed to applaud every word, every song. The Old Vic audience was often uncannily quiet. The moment when a woman mounts the stage from the auditorium failed to come off; her male partner is even more of a misfit.

Meanwhile, the hippies mooch around and occasionally dance. They worship the sun, they worship the moon and they look like pixies at Stonehenge. What a conservative, conformist, primitive, tribal lot they were! Even when they undress they do it in unison.

Michael Bogdanov directs. All that one can say is that it was an interesting experiment to try a revival. This production proves beyond doubt that not everything in the 1960s is worth going back to, except as a curiosity. The mood now is one of not being quite sure where to look. It was really an extraordinary idea that people could be held together merely by having long hair. The fashion has changed. Time to bring back *Guys and Dolls*.

Old Vic Theatre (071) 928 7616

An anxious 'Romeo and Juliet'

Romeo and Juliet opens the autumn season at the Birmingham Repertory Theatre with Coward's *Blithe Spirit* and Pinter's *Old Times* to come before the year's end. The Rep under Bill Alexander is allowing drama to bear its part alongside dance and contemporary music in Birmingham's rejuvenated arts. A solid *Romeo and Juliet* directed by Gwenda Hughes consolidates the company's gains over the last six months: this is dependable without being inspired, but fresh enough not to be predictable.

The production's greatest asset is Robert Jones's wonderful static set of sumptuous blue hangings fretted with gold, as if Romeo had died and Juliet had indeed cut him into little stars. The hangings fall from a Hawksmoor ceiling frame which moves down to create the claustrophobic interiors in which most of the action takes place. The floor is blue and gold, and pillars lead the eye to the mural of Verona at the back of the stage.

But the scope of the set strains the action by spreading it out. The strength of last year's RSC *Romeo* was that it created intimate spaces on a large stage. Here, Hughes likes to keep distance between characters, and this slows both the verse and the action, with mid-line pauses while actors cross the spaces between them. The two hour's traffic promised by the prologue is more like an M40 jam tailing back three and a half hours, even in this lightly cut version of the 1595 text.

The verse speaking, too, needs to be more natural and less deliberate. There is a tendency to reach for the excitement and pace that the verse gives naturally. This straining means that lines are artificially raised at the end. Statements sound like questions: "Love goes towards love as schoolboys from their books?" and "I am fortune's fool?" Imagine the effect in everyday life: "Good evening? I'm you're captain for this flight?"

The principals have yet to centre themselves in the parts. Josette Bushell-Mingo is a strong, versatile actress whose talents are confined rather than concentrated by playing Juliet; and Damian Lewis' Romeo lacks the intense assertiveness of a man possessed by passion. Their love is still searching for sweetness and quietness, and has about it an anxiety which typifies the production. Elsewhere, Mark Jax's Mercutio gives away his "Queen Mab" speech by depending on the reactions of his on-stage listeners and meandering downstage, dissipating the energies of the verse.

But the production finds a lasting image of Romeo and Juliet curled together in death, like casual sleepers. Over their bodies, the handshake between Montague and Capulet had particular poignancy in this week of handshakes.

Andrew St George

Until October 9 (021 236 4455)

INTERNATIONAL ARTS GUIDE

BARCELONA

Les Ballets de Monte Carlo present a programme of Ballets Russes choreographies tonight, tomorrow and on Saturday at **Gran Teatre del Liceu.**

The first opera production of the season is Der fliegende Holländer, which opens on Oct 2 (412 3532)

● Information and booking for cultural events can be obtained through Caixa Catalunya from 08.00 to 14.00 (310 1212)

BOLOGNA

The 1993-4 season at the **Teatro Communale** begins on Sep 24 and 25 with a programma of Richard Strauss orchestral works conducted by Eliahu Inbal.

The first opera production is Puccini's Trittico, opening on November 27 (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40128 Bologna).

No telephone bookings are accepted. For information, call 051-529999.

FLORENCE

Teatro Communale Tomorrow, Sat, Sun afternoon: Andrew Davis conducts orchestral works by Haydn, Ravel and Schumann, with piano soloist Pascal Roge (055-211158)

MADRID

The 1993-4 season at **Teatro Lirico La Zarzuela** opens on Sat with Jose Serrano'a zarzuela La Cancion del Olvido, by Pier Luigi Pizzi. Daily except Mon till Oct 10 (01-429 8225)

WARSAW

This year's Warsaw autumn contemporary music festival has a less international look than in the past two years, despite tha presence of ansembles from Lithuania, Germany and the Netherlands. The festival continues to provide an international platform for Poland's lively contemporary music scene. Tomorrow'a opening concert is a 60th birthday tribute to Krzyzstof Penderecki, who conducts Sinfonia Varsovia in his own Flute Concerto (Irena Grafenauer) and an arrangement for cello of his Viola Concerto (Boris Pergamenshikov).

Other concerts feature Frank Martin's Cornet Rilke setting, a programme of New York minimalist works, e new work by Gorecki and the first Polish performance of Messiaen's Eclairs sur l'Au-Déla. In the final concert on Sep 25, Witold Lutoslawski'a 80th birthday is marked by a programme in which the composer conducts tha National Philharmonic Orchestra in his own First and Fourth Symphonies (Warsaw Autumn, c/o Hotel Europejski, Krakowskie Przedmiescie 13, tel 022-265051 fax 022-261111)

LONDON THEATRE

● Travesties: RSC artistic director Adrian Noble directs Antony Sher in the first London revival in nearly two decades of Tom Stoppard's award-winning comedy. Opens tonight (Barbican 071-638 8891)

● Wallenstein: Tim Albery has condensed Schillar's trilogy for this RSC production, which opened last night (Barbican Pit 071-638 8891)

● David Hare Trilogy: a three-part examination of British institutions, directed by Richard Eyre, in the Olivier Theatre. Hare's study of the judiciary and the church, Murmuring Judges and Racing Demon, are in repertory, joined next Thurs by his new play The Absence of War. All three plays can be seen on tha sama day on Oct 2, 9, 23, 30 and Nov 13, 20 (National 071-928 2252)

● Carousel: West End transfer of Nicholas Hytner's National Theatre production of tha Rodgers and Hammerstein musical (071-379 5399)

● Moonlight: David Leveaux directs a cast including Ian Holm in Harold Pinter's new play (Almeida 071-359 4404)

● Oleanna: West End transfer of Harold Pinter's Royal Court production of David Mamet's new play, starring David Suchet and Lia Williams (Duke of York's 071-836 5122)

● Time of My Life: Alan Ayckbourn's new bitter-sweet drama of middle-class family life in a northern city, with a cast led by Anton Rogers and Gwen Taylor (Vaudeville 071-836 9987)

● For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962. Most London theatres are closed on Sunday.

OPERA/DANCE

Sadler's Wells Glyndebourne Touring Opera opens a three-week season tonight with Peter Hall'a production of Don Giovanni. Repertory includes Hytner's production of La clemenza di Tito and the British premiere of Siegfried Matthus' Cornet Rilke's Song of Love and Death (071-278 8916)

Covent Garden The opening month of the Royal Opera's 1993-4 season has two revivals: Madama Butterfly (with Diana Soviero and Neil Shicoff) and L'italiana in Algeri (Marilyn Horne and Ruggero Raimondi). Conducted by Carlo Rizzi. First new production is Meistersinger, opening on Oct 8 with John Tomlinson as Hans Sachs (071-240 1066)

Coliseum This month's ENO repertory consists of two revivals (Simon Boccanegra with Gregory Yurisich and Janice Cairns, Street Scene with Josephine Barstow and Lesley Garrett) and a new production of La boheme, staged by Steven Pimlott and conducted by Sian Edwards, with Roberta Alexander as Mimi (071-836 3161)

CONCERTS

Barbican Tonight: Cecilia Bartoli sings Vivaldi and Handel with Academy of Ancient Music conducted by Christopher Hogwood. Tomorrow: Tadaaki Otaka conducts Yomiuri Nippon Symphony Orchestra in Rakhmaninov's Second Piano Concerto (John Lill) and Second Symphony. Mon: Colin Davis conducts London Schools Symphony Orchestra. Tues: 1925 silent film of The Phantom of the Opera with live orchestral accompaniment. Wed: symphonic music from Mexico. Next Thurs: Michael Tilson Thomas conducts opening concert of LSO 1993-4 season, with soprano Marie Ewing (071-638 8891)

South Bank Centre Sat: 75th birthday tribute to Ella Fitzgerald with Tommy Whittle Quartet and others. Sun: Giuseppe Sinopoli conducts Philharmonia Orchestra in works by Wagner and Bruckner, with soprano soloist Margaret Price. Mon: Berthold Goldschmidt 90th birthday concert. Tues: Yuri Temirkanov conducts RPO in Wagner, Mahler and Shostakovich, with mezzo soloist Ann Murray. Wed: Suzy Bogguss, American country singer (071-928 8800)

PRAGUE

FESTIVAL OF MUSIC

The Czech capital has built an autumn music festival around the distinguished violinist Josef Suk, consisting mainly of recitals and other small-scale events. This year's festival (Sep 20-Oct 5) features a strong dose of Beethoven, Bach and Mozart, alongside Czech composers.

In addition to the Suk Chamber Orchestra, artists include Yo Yo Ma, Maurice André Cecile Licad, Rudolf Buchbinder, Viktorie Mullova, Shlomo Mintz, Renato Bruson and Sandor Vegh. A choral concert on Sep 25 pairs Schubert's Mass in G with a Stabat Mater by Johann Baptist Vanhal. Bookings from Festival of Music Prague, Cs armady 12, 160 00 Prague (fax 02-526583) or Bohemie Ticket International, Salvatorska 8, 110 00 Prague (fax 02-231 2271)

OTHER EVENTS

Vaclav Neumann conducts the Czech Philharmonic Orchestra tonight and tomorrow at **Dvorak Hall** in works by Husa and others with cello soloist Gustav Rivinius. Next week's concerts feature Dvorak's oratorio Saint Ludmilla (02-286 0111). Tha Prague Symphony Orchestra's winter programma opens next Tues and Wed at **Smetana Hall** with Beethoven and Mahler conducted by Martin Turnovsky (02-232 2501).

Repertory at **Prague State Opera** includes Rigoletto, Un ballo in maschera, La traviata, Jenufa, Tosca, Il trovatore and Cosi fan tutte (02-265353). The **National Theatre** has La boheme, Don Carlo, Rusalka, The Kiss and The Bartered Bride (02-205364). The **Estates Theatre** has Le nozze di Figaro on Sep 22 and Don Giovanni on Sep 29 (02-228658)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germeny, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channal: West of Moscow 1230.
Super Channal: Financial Times Reports 0630
Wednesday Super Channel: Financial Timas Reporta 2130
Thursday Sky Nawa: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Supar Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky Naws: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Reports of unions' death are exaggerated

BOOK REVIEW

The widespread assumption across a large area of UK political thinking is that trade unionism, as we knew it, is dead. Lika socialism, the argument goes, it belongs to the age of collectivist philosophy that has run its course and has given way to an overwhelming individualism, propelled by, if not dependent on, new technology.

The industrial powers of the world are increasingly seen as warehouses of information technology, rather than centres of great manufacturing units employing tens of thousands of workers in one group of factories. Phrases like "post-Fordism" and even "post-capitalist" are used to describe the contemporary scene and to justify the argument that trade unions can be placed alongside the dinosaur in museums: relics of a bygone age.

It is a seductive line of thought, to be sure; but I do not subscribe to it. An alternative theory can be quite effectively presented: the technological revolution may have destroyed the old, simple, collectivist industrial base on which powerful trade unions like the miners established their influence. But, in doing so, modern industry has also created a new need – which is for a more effective democratic voice to espouse the case for social justice in this new era of technological production. Without such a voice, and a well-based platform, there could he a significant growth in social, political and economic tensions that would tear at the whole social fahric. The dangers are already evident. So it is in this area that modern trade unionism should have an important, even a crucial, role to play.

In short, new technology, with its revolutionary impact on work, may have fragmented (and made redundant) large tracts of the old industrial working class; hut it has also created serious problems that a modernised trade union movement ought to be ideally equipped to tackle. It is in this sphere that an intelligent government would hegin to explore a new dialogue with the trade unions.

THE TRADE UNION QUESTION IN BRITISH POLITICS – Government and Unions since 1945
By Robert Taylor
Blackwell (for the Institute of Contemporary British History). £13.99 paperback, £37.50 hardback. 406 pages (paperback)

One thing is clear, and comes powerfully from the pages of Robert Taylor's excellent hook: the trade unions have been unjustly hlamed for their alleged role in contributing to national decline. Taylor, who is labour correspondent at the Financial Times, examines the nature of these charges – and he rejects the argument, convincingly. It is the best account of the government-trade union relationship for a long time.

Taylor argues that the failures of UK capitalism, compared, say, with Germany or Scandinavia and certainly with the US, stem from a complex range of inherited causes, underscored by the culture of 19th-century industrial and social attitudes in Britain and its *laisser-faire* presumptions.

The trade union responses to these mores were always defensive – hardly at all revolutionary or even markedly political. They were a reflection of an inadequacy of vision among politicians and industrialists – a reflection, not a cause. As Taylor observes: "Whatever politicians and employers might have desired, Britain's trade unions continued to remain in tha postwar world what they had always been – insecure, voluntary hodies at the mercy of the often fickle and divided moods of their own members and the uncertain and often harsh fluctuations of the labour market."

And he adds that too many political leaders, and others, used the trade unions with their imperfections as an excuse to divert attention away from more fundamental reasons for economic decline.

Taylor explains the distrust the Trades Union Congress as an institution had for the state; how the TUC leaders resisted even the Attlee government in its attempts to bring the trade union machine more intimately within the corpus of state power and authority.

Of course, the trade union leadership made many mistakes in in 1945-51 before the Conservatives returned to office. There was an ambivalence ahout the role of the unions in the newly nationalised industries: and there was confusion about the role of unions trying to maintain "free collective bargaining" in an increasingly planned economy run by a friendly government. There were constant crises between the TUC and a succession of Labour governments over incomes policy – and ultimately the ending of the "friendly relationship" with the collapse of the Callaghan government in 1979.

As Taylor asserts, all these crises were part of "the never-ending dialectic between freedom and control, between workplace autonomy and state intervention".

The Churchill, Eden and Macmillan Conservative governments of the 1950s and early 1960s all accepted the essential role unions had to play in collective bargaining and sensible industrial relations. Indeed Harold Macmillan often made a virtue of his affection for trade unionism.

Curiously, the rot probahly set in during the Wilson years – especially after the devaluation of 1967. Yet in 1964 the scene had been set for a Grand Consensus with George Brown's Declaration of Intent – a kind of "charter of principles" agreed between government, Confederation of British Industry and TUC. In fact too much responsihility was put on the shoulders of union leaders to deliver a pay policy which they never had the power to hand to any government.

Eventually, through the Heath years, it all led to Margaret Thatcher's crusade against trade unionism. Yet today, as Taylor cogently argues, Thatcherism is no longer enough for a society in the throes of vast changes. The unions remain an essential ingredient within any democratic society.

Geoffrey Goodman

The reviewer is former assistant editor and industrial editor of the Daily Mirror

Look east – but don't touch

Victor Mallet says Vietnam is still out of bounds for US companies as their competitors clean up

For a country concerned about perennial trade deficits with Asian countries, the US has heen assiduous in depriving itself of commercial access to one of tha region's fastest-growing economies.

President Bill Clinton's decision on Monday to maintain the US economic ambargo against Vietnam has again frustrated the hopes of American companies as they try to exploit Vietnamese husiness opportunities not yet grasped hy Asian and European rivals. The timing of the announcement – 6pm on the day that Israel and the PLO signed their historic peace agreement in Washington – showed clearly how reluctant Mr Clinton remains to seize the Vietnamese nettle.

The continuation of an embargo dating from the end of the Vietnam war in 1975 is particularly galling for the dozens of US executives poised to start work in Hanoi or Ho Chi Minh City (formarly Saigon), because Vietnam had kept aside some projects – in the oil industry, for example – in the expectation that sanctions would be lifted.

"I can look at her but I can't kiss her," said Mr Kent Accord, a Mobil vice-president, on a visit to Hanoi. He was referring to the Blue Dragon, an offshore Vietnamese oil concession that Mobil is hidding to assess and exploit.

Vietnam's eagerness to welcome Americans stems partly from the communist government's desire to counter the expanding regional political power of China and the commercial influence of Japan. It is also a side-effect of the Vietnam war, during which the South Vietnamese who lived and sometimes fought alongside US soldiers became accustomed to American cigarettes, soap and trucks.

Everything from Coca-Cola and tinned ravioli to Hollywood videos and pirated computer software is imported or smuggled into Vietnam from its neighbours. Many of the trucks from the war era are still running.

American goods still have cachet in a country described by US businessmen in Hanoi as "by far the most attractive new market in the world" or, alternatively, "one of the most dynamic and promising markets in Asia". Last year Vietnam's economy grew hy more than 8 per cent in real terms, and is forecast to grow by as much again this year as the country tries to emulate the export-led achievements and industrialisation of its Asian neighbours.

Since 1986, the government has undertaken a programme of reform known as *doi moi* (renovation), aimed at changing a communist command system into a market-driven economy. The government says it needs foreign investment of $20bn to modernise its economy by the end of the century, of which it expects about $12hn from foreign direct investment and a further $8bn from foreign government and institutional aid.

Foreign companies have already been granted licences for more than $6bn-worth of projects. Singaporean enterprises are building hotels and changing the skylines of the capital Hanoi and Ho Chi Minh City, Vietnam's commercial centre. The Taiwanese are constructing industrial estates where exporters can locate factories. Japan is investing in food processing and manufacturing. The French and the Australians are building telecommunications networks.

The Americans, however, are languishing on the sidelines. A few companies, including Coca-Cola, signed contracts in the hope that Mr Clinton would lift the embargo, hnt at the moment they are prohibited from fulfilling them.

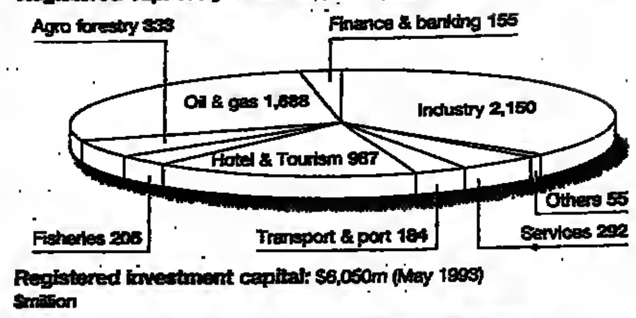
Some US executives ascribe the continuing ban to the political clout wielded in Washington hy pressure groups representing the families of US servicemen missing in action during the Vietnam war. The lohhyists believe Vietnam is hiding information about 100 or so unresolved cases, although the Pentagon says progress is being made on this issue.

American executives find little comfort in Mr Clinton's decision to allow US companies to compete for contracts funded by international agencies such as the World Bank.

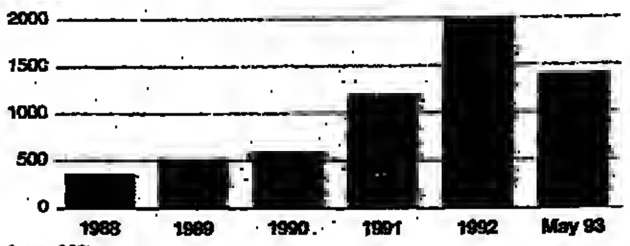
"Most US business would still be effectively closed out of the Vietnam market," said a position paper prepared hy US companies and handed to visiting congressmen recently. "In most cases, the areas where US business has a comparative advantage are high technology and are generally not infrastructure projects of the sort funded hy international institutions."

Vietnam: 70m on their way to the market

Registered capital by sector: $6,050m (May 1993)



Registered investment capital: $6,050m (May 1993)



Source: SCCI

'The Vietnamese have been willing to leave the door open to US participation'

Oil exploration and banking are two sectors where US companies feel vulnerable to delay, because only a limited number of openings is on offer to foreigners in each industry.

Mobil and Amoco have already watched one important oilfield contract go to BHP Petroleum of Australia, which is leading a consortium to exploit the Big Bear field off the south coast. A decision on the Blue Dragon concession nearby is expected to be made by early next year. "They are getting closed out of lease after lease," said one US businessman.

In computers, IBM is itching to service foreign companies in Vietnam – many of them already IBM customers elsewhere – and to develop the local market.

Mr William Howell, IBM's chief representative in Vietnam, said international banks were waiting for IBM to be allowed to install its equipment in their Vietnam branches, but "it's only a matter of time before they are forced to buy from other suppliers", he said.

In telecommunications, France's Alcatel and others are establishing mobile telephone and paging systems while Motorola executives twiddle their thumbs. "Ho Chi Minh City and Hanoi need these systems," said Mr Greig Craft of American Service Co, a consultancy which represents US companies. "They can't wait."

The same is true for owners of the ageing, black Russian Volga cars used in Vietnam, who are now replacing them with Toyotas and Hondas. Chrysler has been fighting a rearguard action to try to ensure access for US car makers, especially for four-wheel-drive vehicles. To its dismay, the job of preparing a master plan for the development of the entire Vietnamese auto industry has gone to Mitsubishi of Japan.

The tragedy for the US, according to Vietnamese businessmen and officials and the growing US business community, is that the Americans are shutting themselves out of the last significant market in south-east Asia.

"The Vietnamese have demonstrated this willingness to leave the door open to US participation in key sectors," said Mr Craft, "and were encouraged when they saw that contracts could be signed [following an earlier easing of the embargo]. They have done this at the expense of equally qualified Asian, Australian and other companies. And now they can't wait any longer."

Since the US lifted its objections to multilateral funding for Vietnam in July – which the country needs to repair ports and roads to support its economic recovery – the US business community rather than the Vietnamese government has made the loudest pleas for ending the embargo.

Some western diplomats and businessmen believe sanctions may be eased further by the end of the year, when Mr Clinton may have cleared his desk of more pressing legislative issues such as healthcare reform and the North American Free Trade Agreement. By then, they fear US corporations may have lost the advantages they once had.

For almost two decades the Vietnamese have accused the Americans of using the embargo to punish them economically for having won the war; these days, as Vietnam's economy grows without them, many Americans are asking why they are punishing themselves for having lost it.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

FO aware of needs of exporters

From Mr Alastair Goodlad.

Sir, May I assure the president of the Export Group for the Constructional Industries (Letters, September 8) that the Foreign and Commonwealth Office is well aware of the commercial potential of the former Soviet Union and Baltic states. Our exports to the area for the first seven months in 1993 show an increase of 64 per cent over the same period in 1992. We currently have posts in nine of the 15 countries there, four of them opened in the last year. The six countries where we have no resident missions are all covered by other posts. We would hope to open other missions as funds become available. The first priority of these posts is to help British exporters, in particular by establishing close relations with the local government.

We recognise the excellent contribution which the construction industry has made to British exports and know of its interest, not just in the former Soviet Union but in other important markets such as the Asian Pacific Rim and the Middle East.

We are acutely aware of the requirements of British exporters for diplomatic posts and staff, and will be examining, in the light of the outcome of the current pnhlic expenditure round, how we can hest respond to them.

Alastair Goodlad,
minister of state,
Foreign & Commonwealth Office,
London SW1A 2AH

Steel subsidised at a high cost to UK

From Dr D Tordoff.

Sir, It is not only in British Steel's direct interests that an EC industry restructuring plan is speedily achieved and state subsidies eliminated (Lex: "Steely determination", September 13). It is also in the interests of British Steel's customers.

As a UK steel user representative on the EC Consultative Committee, we believe it is clear that market distortions take place throughout Europe and beyond which make a mockery of a "level playing field".

In my own industry, steel construction, we have lost well over 150 UK companies and 50,000 jobs in this recession and have to fight for every new construction project. Yet how do we compete with foreign steelwork fabricators who are able to buy subsidised steel from their state-owned steel companies (eg in Italy and Spain) in order to undercut UK companies for UK bridge contracts?

We are now losing out to steelwork of uncertain quality from eastern Europe in a UK government building project! The new Inland Revenue Amenity Building in Nottingham is to use non-certified Polish steelwork for its complex roof structure – is this called "biting the hand of the economy that feeds you"?

Buying from such sources might save a few percentage points in first cost – hut at what total cost to the UK economy and the consequences for direct and indirect employment?

Derek Tordoff,
The British Constructional Steel Association,
4 Whitehall Court,
Westminster,
London SW1A 2ES

Too one-sided a presentation

From Mr Barry Topf.

Sir, While the need to provide a brief summary of complicated events can lead to a less than exhaustive history, the "chronology of the [Middle East] conflict" in your August 31 edition is nothing less than a distortion of history ("Peace plan poised on a hair trigger"). Summarising the 1948 Arah rejection of the UN partition plan, and Israel's war of independence against the invading armies of surrounding Arah states as "first Arab-Israeli war, Israel annexes large portions of proposed Arab state in Palestine" is bad enough. Ignoring acts of war initiated hy Arab states in 1967, the threat to Israel's existence in June 1967, and the defensive nature of tha Six-Day war by presenting it as "Israel attacks Egypt, Syria and Jordan" is either a slavish presentation of false propaganda, or an insult to your readers' knowledge and intelligence, or both.

Barry Topf,
Rechov Hamalach 8,
Old City,
Jerusalem, Israel

Arts Council grants not biased against regions

From Mr Anthony Everitt.

Your architecture correspondent caricatures the work of our architecture unit and misleads your readers with a prejudiced account of its grants ("Council misses the point", September 13).

There is no London bias and no bloated hureancracy. Thirty-four ont of 36 recent awards will benefit the public in the English regions; as to "offices, personnel and the inbreeding of arts hureancrats", your critic may be reassured, since the architecture unit consists of just two persons. (Our distinguished advisory group gives its services free of charge.)

Your correspondent takes us to task for our apparent disdain of history, but a glance at our grants shows this to be untrua. A modest grant of £1,000 to the Georgian Group, for example, will help it create a touring exhibition looking at tha design of today's cities and their Georgian predecessors.

With our valuable sponsors, English Estates, we see the benefits of ancouraging the puhlic to take an educated interest in the art of architecture in the context of large-scala building developments. That is why we have jointly supported proposals to create an architecture centre in the east Thames corridor and in eight othar regions of England.

All of these things your correspondent might have discovered for himself had he bothared to inquire.

Anthony Everitt,
secretary-general,
The Arts Council of Great Britain,
14 Great Peter Street,
London SW1P 3NQ

A doubtful attachment

From Mr John D Harris.

Sir, The chief executive of Lloyd's of London likens the introduction of new rules on corporate membership to the attachment of stabilisers to a motorhike (Observer: "City hiker", September 14).

Many may think that any rider who needs stabilisers should seek a vehicle more suited to his riding skills.

John D Harris,
The Green,
Easton,
Nr Winchester,
Hampshire S021 1EG

Ofgas must keep teeth

From E R Stein.

Sir, One way for British Gas to protect its monopoly is to seek regulation of the regulator ("British Gas demands curbs on regulator", September 7). British Gas spends a great deal of time, money and resources on public relations and political lohhying. I am sure that it would like a more comfortable relationship with its regulator so it could take full advantage of the situation.

Even if its market share is reduced to 25 per cent in due course, British Gas will continue to wield immense power over the UK's gas industry. As mentioned hy the Monopolies and Mergers Commission, Ofgas under Sir James McKinnon has had a positive impact, hringing down British Gas charges for gas transportation and price in the tariff market. I find it hard to imagine that without Sir James's no-nonsense approach British Gas would have brought down prices of its own accord.

I hope his successor proves to be equally tenacious and committed. Although the MMC has opened the door to competition a hit further, it still leaves a lot to be done. There is a danger that the flames of competition just unleashed in the gas market will be extinguished. We will need a "Sir James" more than ever.

E R Stein,
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FINANCIAL TIMES
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Two birds, one Japanese stone

JAPAN'S LATEST bout of fiscal activism, a Y5,000bn (£30.7bn) package of public spending and tax credits, is expected to be announced in Tokyo today. It could not have been better timed. The combination of the recent batch of bleak indicators and Tuesday's news that gross domestic product contracted by 0.5 per cent in the second quarter, means that the economy may finally be about to slip into an American-style recession in which output falls in consecutive quarters. Meanwhile, US Treasury under-secretary Larry Summers, in Tokyo today to press the US case for import targets, will presumably have little option but to congratulate the Ministry of Finance for this prompt display of neo-Keynesian pump-priming.

The doom and gloom pronouncements of Japanese financial and corporate commentators have often seemed overdone over the past two years. The aftermath of the collapse of the late 1980s financial house of cards has certainly created disturbances throughout the economy. But Japan, unlike Germany, has so far escaped an Anglo-Saxon-style recession. Equally, the Ministry of Finance and the Economic Planning Agency have seemed dangerously complacent about the prospects for an imminent upturn. Earlier fiscal packages, grudgingly agreed, have been tardily implemented. And the Bank of Japan has eased monetary policy too slowly, despite evidence that much of the banking system remains burdened by bad debts.

Now the evidence is moving in the pessimists' favour. Higher government spending in the second quarter did not outweigh the decline in private activity, particularly consumption and exports. Department store sales are still falling, credit creation is stagnant and the yen's recent appreciation is biting deep into profit margins. No wonder the Tankan survey of business confidence shows that manufacturers are now gloomier than they have been for 18 years.

Domestically, the economy is clearly crying out for stimulus. The government's sound fiscal position means that there is little danger in responding, especially as the Ministry of Finance appears to have held out for more spending rather than an income tax cut. But fiscal activism will not, by itself, remove the main obstacles to recovery: the dreadful state of Japanese bank balance sheets. Only a large cut in short-term interest rates, or some other form of concessional refinancing of the banking system, can speed what looks set to be a slow and weak recovery.

The fiscal package also serves a second, international function. With the trade surplus still rising, and the annual meetings of the International Monetary Fund in Washington only a week away, the Ministry of Finance is under great pressure to drop its justified opposition to explicit targets for the current account surplus and import penetration. But if Japan wants to persuade the world that it is serious about reviving domestic demand for imports, it will need to persuade US and EC politicians to lift their eyes from the details of the short-term fiscal package.

For it is the new government's deregulatory agenda that holds out most hope for a radical change in Japan's economic relations. The share of consumption in Japanese GDP is low, in part, because the Japanese like to save, but also because the vast panoply of controls, rules and taxes – especially in the distribution and housing sectors – makes consumption so difficult.

Japan's weak and divided coalition has yet to prove that it will be able to implement the kind of radical, liberalising agenda that Japan needs. But if it can, the effects on imports and the trade surplus would outweigh those of any plausible fiscal package.

Belgian muddle

OF THE EC countries discomfited by last month's ERM crisis, Belgium faces perhaps the most difficult dilemma. A strong supporter of the EC's economic and monetary union plan, Belgium is trying to maintain its previous credentials as a member of the ERM's D-Mark "hard core". The price of Belgium's *franc fort* is not only high, but looks increasingly unsustainable.

Belgium would like to cling to hard currency status to keep alive the chance of qualifying for Emu. Additionally, in view of its large dependence on foreign trade, Belgium wants to avoid devaluation to resist imported inflation and preserve macroeconomic stability. Unless present policies are revised, however, neither policy looks likely to be achieved.

The Belgian National Bank, which earlier this month increased interest rates to keep the franc close to pre-crisis levels, yesterday cut lending rates by a quarter point to 10 per cent. Yet three-month money market interest rates, at 9.3 per cent, are still nearly a percentage point above their end-July level. Bond market yields, at just over 7 per cent, are 4 percentage points above the inflation rate. For a country saddled by negative economic growth, 14 per cent unemployment, interest payments on government debt of 11 per cent of gross domestic product, and total outstanding public debt around 130 per cent of GDP, high real interest rates are a self-perpetuating depressant.

Belgium needs a real rate of economic growth above the real rate of interest paid on its borrowings. Unless this is achieved, the debt level – the EC's highest – will continue to grow. If this happens, the Emu aim will remain a chimera. German promises of "flexibility" in examining the Emu criteria will not stretch to allowing Emu participation by a country with debt well over twice the 60 per cent Maastricht target.

The government is preparing a "social pact" with trade unions and employers to restructure labour markets and curb social security payments. However, because of the debt burden, even large cuts in public spending guarantee no escape from the deficit treadmill. More aggressive cuts in Belgian interest rates are required, necessitating willingness either to let the *franc float* down through its wider ERM fluctuation bands, or to carry out a formal devaluation. The Belgian authorities appear to believe that using their newfound ERM flexibility would bring a damaging loss of economic credibility. In fact, such a policy switch may represent the only means of restoring it.

One year on

THE DEPARTURE of Britain and Italy from the European exchange rate mechanism a year ago today arguably constituted the biggest monetary rupture since the collapse of the Bretton Woods fixed exchange rate system in the early 1970s. The comparison is suggestive, in that both events coincided with big changes in the global political and economic balance. In the first case, it was the waning of US power and influence as a result of the Vietnam war; the currency dislocation was widely attributed to the inflationary financing of the US military effort. In the second, the de facto collapse of the ERM coincided with the end of the cold war and the explosive growth of parts of the Asian economy, while the technical economic cause lay in the refusal of the French to permit a D-Mark appreciation within the ERM in response to German unification.

It is not difficult to make the case that these monetary phenomena were symptomatic of deeper problems and that the markets were, in both cases, providing an adjustment mechanism to cope with the fall-out from government policies that ran far ahead of public opinion. The inflationary nature of the Vietnam war financing was, after all, necessitated by a lack of popular support; and there has clearly been a failure on the part of Europe's political elite to understand the fears of ordinary people who have to bear the brunt of the adjustment to difficult new economic realities.

The farmers who are agitating in the streets of Paris against the US-EC farm trade deal are just one example of how the fear of globalisation and of competition from lower-paid workers in the developing world is eating into the psyche of the underskilled. They sense a threat to real incomes; and rightly so, since the scale of structural adjustment in older industries will be painful as millions in China and elsewhere industrialise.

In a world where there is no shortage of global demand, but where the balance of that demand is being redistributed eastward, the important lesson for the EC is not to fall now into the opposite trap of a populist retreat into protectionism. That would prevent the reallocation of resources needed to take advantage of the changes in global economic structure.

On this score the good news, one year after the ERM started to crumble, is that capital controls have been debated but not introduced. The bad is that the response of France and Belgium to the more recent upheaval in the ERM suggests continued resistance to the markets' message.

T here is nearly always some paradox about the world or national economy which prevents the subject from being unbearably repetitive or dull. This time it is that forward-looking financial market indicators point to healthy growth. On the other hand most direct measures of activity show a very inadequate recovery from a severe recession with unprecedented amounts of slack remaining. Whatever today's UK unemployment figures show, the depressing trends in the rest of the world cast a cloud.

In terms of equities, there has been a sharp contrast between Anglo-US experience, on the one hand, and German and Japanese on the other. In the US, equity prices have not merely risen sharply this year but are now nearly 40 per cent higher than at the peak reached before the 1987 Wall Street crash; in the UK equities are a good 20 per cent higher. German and Japanese equities have been depressed by the economic difficulties of the two countries. They have, however, seen limited local recoveries.

Dividend yields in the two main English-speaking countries have been heading strongly downwards. But they are still above or around the low points they reached before the 1987 crash. The fall in bond yields has gone even further than the fall in equity yields and the yield gap has narrowed strikingly. The equity rise, so far at least, can be explained as a normal response to falling interest rates.

The fall in bond yields does not in itself suggest prolonged depression. It does suggest that the inflationary pressures of recent years have been truly subdued, although not eliminated, as the unsurprising UK Retail Prices Index data remind us. The one available direct measure of inflationary expectations is the gap between the yield on UK nominal gilt-edged securities and that on indexed bonds. This has also fallen sharply, but is still 3½ per cent, which suggests something like the creeping inflation experienced in the postwar golden age.

Some of the evidence for the degree of slack remaining in the world economy has been collected by Mervyn King, economic director of the Bank of England, in his recent presidential lecture to the European Economic Association. He shows that personal consumption in the US has been 4 per cent below what is normal at this stage of the business cycle. In the UK, the shortfall has been 8 per cent.

King's own explanation is in terms of debt deflation. The slogan is, of course, well known, but King explains the phenomenon more carefully than most. He defines the necessary condition for debt deflation as "a fall in asset values relative to the unit of account in which debts are denominated". Thus, there can be debt deflation in a world where general price indices are still rising, as well as in periods such as the 1930s when they were falling and the US economist, Irving Fisher, identified the problem.

The real value of net private sector debt rose in the UK by nearly 7 per cent in 1989-92. This was not nearly as much as in the US in 1929-32 but has, nevertheless, been a severe shock. King finds a reasonably good fit between increases in the household debt ratio and the shortfall in consumer spending in 1989-92 in various countries.

The main new element he contributes is an analysis of the distribution of the debt between sectors. For instance, the fall in consumer spending in Britain has been confined to households with mortgages. The behaviour of house prices varied widely from region to region. The biggest fall of nearly 30 per cent has been in the south. In the north, Scotland and Wales, house prices are now higher than in 1989. Not surprisingly, negative equity has been concentrated in the south and hardly exists further away. An associated phenomenon has been the sharp narrowing of unemployment differentials, as the normally prosperous south-east was affected far more by recession than the previously depressed areas.

King does not stick his neck out by saying whether the dragging effect of high debt levels on spending will continue to hold back recovery, or whether the more encouraging stock and bond market indicators provide a better clue. But the proverbial editorial ending, "only time will tell" will not do. For we have now reached a period in the international conjuncture where macroeconomic policy can no longer be seen just in terms of fighting inflation. It is typical of our cultural lags that just when inflation is at its least threatening for more than a generation that the UK government has only an inflation target and no other macroeconomic objective at all. The Bank of England Bulletin has only an Inflation Report and has abandoned its commentary on the general economy, which now has to be read between the lines of the Inflation Report.

An indicator which combines real output and inflation in a useful way is total spending, measured by the growth of nominal gross domestic product. In the Group of Seven summit countries combined, nominal GDP growth was down to 3½ per cent in the year to the middle of this year. Inflation was down to 2½ per cent, leaving only 1 per cent for real growth – all of which was accounted for by the US, UK and Canada. If we regard the prevailing international inflation rate as not far from the levels at which public national authorities should be aiming, and take the trend rate of real growth to be about 3 per cent a year, then the growth of demand in cash terms has been too low.

At least the old simply-minded monetarism was theoretically a bulwark against depression as well as inflation. This was so because of the relationship it asserted between chosen measures of money and nominal GNP. The relationship meant that if inflation declined output would automatically recover, so long as the monetary targets held.

The collapse of confidence in this relationship does not mean that policy need be helpless. But it does mean that governments and central banks cannot just have an objective for inflation alone, but need one for nominal GDP. Any busy business executives, who are thrown by the words "nominal GDP" can best translate it as a national – or international – cash-flow objective.

The need for such a cash objective is one that I have been trying to hammer home for nearly a decade and a half, as a way of saving the valid insights of both monetarism and Keynesism from their misleading technocratic wrappings. Nominal GDP objectives would be sought through ordinary monetary and fiscal policy. No black magic is required or available. Framing policy in cash-flow terms would liberate monetary authorities in relation to means, but tie their hands on ends.

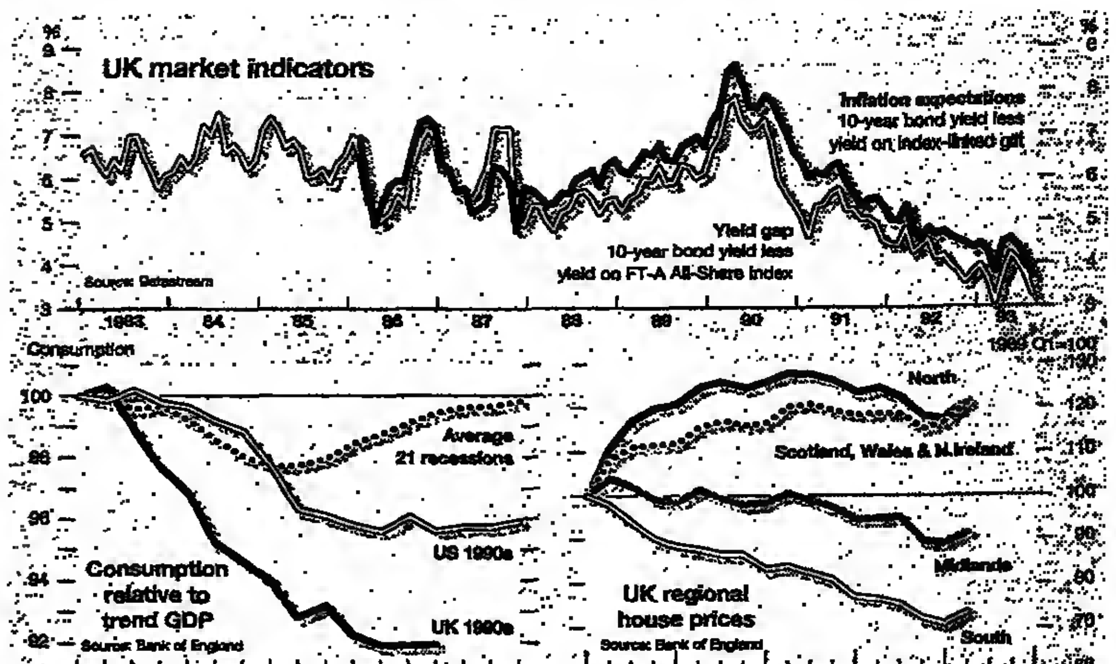
The main evolution in my thinking has been on the need to move this objective to an international plane. The UK departure from the exchange rate mechanism a year ago today and the subsequent crumbling of the system itself have made such a perspective more rather than less necessary. Indeed, the establishment on January 1 next year of the European Monetary Institute provides a heaven-sent opportunity to make progress. (The betting at the moment is that Mr Wim Duisenberg, the Dutch chairman of the EC central bankers will act as interim chairman until an outside president can be found.)

Irrespective of whether or not the institute leads to a European central bank, as originally planned, it needs to formulate a monetary policy for the whole Community, designed to produce enough cash spending for the whole area but without financing resumed inflation. It was the lack of such a concerted policy which undermined both the ERM and wider attempts at G7 currency policy. But irrespective of exchange rates, a joint international stabilisation effort is itself a valid objective.

ECONOMIC VIEWPOINT

What lies beyond anti-inflation

By Samuel Brittan



The EMI needs to produce a concerted monetary policy for the Community, not just Germany

Chris Patten's confrontation with China could leave him isolated, writes **Simon Holberton**

Talks on the rocks

M r Chris Patten has returned from his summer holiday to face the most testing time of his short governorship of Hong Kong. Talks that started in April between Britain and China about the colony's political development are going badly.

After nearly 100 hours of negotiations about arrangements for local elections in 1994 and 1995 – the last before Hong Kong reverts to Chinese sovereignty in 1997 – the two sides appear no closer to resolving their differences.

The whispers of British diplomats and Hong Kong government officials suggest that, unless there is some movement, the talks could collapse within months of their resumption next week.

The result of failure would be to create uncertainty that would damage investors' confidence and exacerbate public fears about the transition to Chinese rule. A collapse of the talks would mean the UK "going it alone" on Hong Kong's political development and trying to enact measures in the face of vigorous opposition from China. China would probably block strategic infrastructure projects – such as the colony's planned HK$165bn Chek Lap Kok airport.

Deadlock has arisen in spite of compromises offered by the British team on two of Mr Patten's most controversial reform proposals.

First, for the selection in 1995 of nine new elected members of the 60-strong Legislative Council (LegCo), Hong Kong's lawmaking body, Mr Patten initially wanted to give votes to nine groups of employees in different sectors of the economy, amounting to 2.7m people. But in negotiations, Britain offered to cut the number to just 1.3m. Beijing, however, envisages giving votes to only a few thousand.

Second, Mr Patten has moved on the composition of an "electoral college" to select a further 10 LegCo members. At first, he wanted it to consist of about 360 of the local government officials elected next year, but he has now agreed with Beijing that the college should consist of four broad-based groups, of which politicians would be just one. The sticking point is that Britain wants college members to be elected; Beijing wants agreed government appointees.

Britain and China have always had conflicting objectives. Mr Patten wants the UK to leave behind an open society where values such as fair elections, the rule of law, and free speech have a chance to flourish. Beijing wants to ensure the 1995 elections will not create a political structure it cannot control.

Early optimism in the colony about the talks resulted from a feeling that Beijing wanted a direct influence on events in Hong Kong before the British left. But since last month optimism has evaporated – mainly, it appears, because Hong Kong has become hostage to Beijing's internal politics.

British diplomats suggest that the increasing frailty of Deng Xiaoping, 89, China's pre-eminent leader who has guided Hong Kong policy for more than a decade, has increased political uncertainty and so produced an impasse.

Adding to Mr Patten's worries are signs that the pull of China on the colony is getting stronger. Anecdotal evidence that the Hong Kong Chinese are identifying themselves increasingly with the civilisation, if not the government, of China has come from several directions:

● Growing numbers of middle-class Chinese, though probably still a minority, who hold foreign passports now say they would be prepared to swap them, if necessary, for Chinese nationality.

● When Mr Martin Lee, a former president of the Hong Kong Bar in Hong Kong, tried earlier this summer to bring a libel action against a Beijing adviser, he was rebuffed by 11 of the colony's leading firms of solicitors who feared offending China. The honour of the legal profession had to be salvaged by the president of the Law Society, who agreed to represent him.

● Mr Simon Murray last month stepped down from the management of Hutchison Whampoa, a diversified conglomerate, partly because the company's controlling shareholder, tycoon Mr Li Ka-shing, had banned him from speaking publicly in support of Mr Patten. Mr Murray's support for the governor was not good for business, Mr Li had calculated.

● Mr Rupert Murdoch's sale of the South China Morning Post – Hong Kong's oldest English-language newspaper – to Chinese investors has cost Mr Patten a friend in the colony and may reverse the Post's support for the governor.

Opinion polls still show high approval ratings for Mr Patten in the colony – nearly 60 per cent – but expectations of UK and China reaching agreement are at a record low. The latest poll showed just 37 per cent believing the two countries can do a deal, compared with 63 per cent in April.

If the talks do collapse, the price for both sides will be high. For Beijing, a smooth transfer from British to Chinese rule is at risk. Its international reputation would be tarnished if after 1997 it rebuffed a democratically elected LegCo.

For Mr Patten, to try to go ahead with his proposals without Chinese consent could backfire. British power is on the wane in Hong Kong and he may find that, when forced to choose between China and an engaging British politician, the people of Hong Kong will choose China.

OBSERVER

Arafat's energies

■ Back among the bougainvilleas in sleepy Tunis, Yassir Arafat is probably soaking his right hand in some soothingly cool water.

After an enforced absence of 19 years from the US, he made up for lost time. Straight off the aircraft on Sunday he went into conversations with ex-presidents Bush and Carter, followed by a meeting with Jesse Jackson.

Monday he breakfasted at the World Bank with Jacques Delors. From thence to the signing ceremony – and more handshakes – on the White House lawn, followed by a visit to Foggy Bottom for a chat with Warren Christopher, US secretary of state. The day concluded amid a welter of prime time TV interviews.

That punishing schedule was enough to slow the strongest; but Tuesday showed Arafat as vigorous as ever. Breakfast on Capitol Hill; lunch downtown at the National Press Club; a *tête à tête* with UN secretary general Boutros Boutros Ghali; back on a flight to Tunis. Implementing a peace agreement should be easy after all that.

Power player

■ Probably the only mystery left in crime fiction is why so many of its most successful practitioners are women.

"It's simple really – women generally don't have direct power over events and people in their lives. So they kill people in print instead," says Janet Cohen, 53, corporate finance director of Charterhouse bank, whose fourth venture into crime writing, Death among the Dons, has just been shortlisted for the prestigious Crime Writers' Association Golden Dagger awards.

A qualified solicitor, she writes crime novels under the name Janet Neel. Her experience of fiction goes way back to 1966, when she spent time designing "human player simulations" – war games – for the US defence department, then busily trying to second guess the north Vietnamese army.

"I found I could win the games more easily as a guerrilla than a politician – just like being in a merchant bank," she says.

About turn

■ Britain's Conservative Euro-sceptics who warned of a transfer of power away from the UK if the the Maastricht bill was approved are apparently being proved right.

First Edwina Currie, a former Tory health minister, and Tony Banks, Labour's chirpiest London MP, announced plans to stand for the European parliament. Now Tony Speller, the Conservative who lost North Devon to the Liberal Democrats by a wafer in 1992, says he is looking for a Strasbourg seat.

'My skin's peeling and my bullet-proof vest's giving me gyp'

Speller, an MP for 13 years, says the centre of political debate is shifting to Europe. He reckons Westminster will end up as little more than a training ground for aspirant Euro MPs.

It used to be so different. Ann Clwyd, a defeated 1992 candidate for Labour's deputy leadership, is one of many MPs from both sides of the Commons who cut her political teeth in Strasbourg, and then took the first chance to shift to London.

The complaint then was that the European assembly lacked real power. But Banks and co are clearly betting that future political leaders are more likely to emerge from Strasbourg than Westminster. What price president Currie?

Mirror's image

■ David Montgomery, the Ulsterman who moved from Rupert Murdoch's News International stable to take over as chief executive of Mirror Group Newspapers, is keen to persuade the City that readers of the group's newspapers have an affluence far removed from that of the cloth-capped image of old.

Yesterday he reeled off statistics to make an advertising sales rep salivate: more than half of Daily Mirror readers now take overseas holidays; 63 per cent have mortgages; 48 per cent come from households with two cars.

Montgomery repeated his intention of maintaining the Mirror's left-wing political allegiance. But an economic transformation is a different matter: "Our readers have moved on in a way that was not recognised in the recent past," he says.

Living banker

■ André Szasz, the seasoned No 2 at the Dutch Central Bank, was in urbane form at a City conference in London yesterday, a gathering which was engaged in examining the EC's exchange rate mechanism one year after sterling's rapid departure.

Stoutly defending Bundesbank-style orthodoxy, Szasz expressed support for those ERM members who have not used their new-found monetary flexibility to bring down interest rates faster since August's exchange rate jitters.

Signs during the summer that some countries were "impatient" to lower interest rates themselves contributed to the speculative flurries against weaker ERM members, Szasz said.

His comment was taken by some as a direct criticism of Edmond Alphandéry; the French economy minister's call in June for Bundesbank interest rate cuts almost immediately sparked pressure on the French franc.

Pressed for elucidation, the Delphic Szasz said he would "never presume" to give Alphandéry any advice. Any similarity between persons criticised in his speech and what he called "living characters" was "purely coincidental".

Bearing up

■ Understandably, the public relations business takes a robust view of bad news. So it's heartening to read the invitation from the Institute of Public Relations to delegates to attend a conference being held in Orlando in November: "Come to Florida with the IPR this autumn for an event to remember."

FINANCIAL TIMES
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Monetarist group urges change of course soon

US Fed is warned of 'asset price bubble'

By Michael Prowse in Washington

THE US Federal Reserve is pursuing an irresponsibly expansionary monetary policy and creating a bubble in bond and share prices, according to a group of US monetarists.

If it does not change course soon, the US will face an "asset price bubble" similar to that which destabilised financial markets in Japan in the late 1980s, the group says.

In recent days, however, the bull market has showed signs of fragility. A sharp fall in bond prices on Tuesday and Wednesday pushed the yield on the long bond back above 6 per cent. Share prices also retreated.

The critique comes from the shadow open market committee, a group of economists set up 20 years ago to challenge conventional wisdom on US monetary policy.

The monetary base has risen 11 per cent in the past year – double the rate of growth of nominal gross domestic product of 5 to 5.5 per cent – Professor Allan Meltzer of Carnegie Mellon University, the head of the group, said this week, as the committee published its twice-yearly report. The economy was thus awash with liquidity, most of which had found its way into financial markets.

Long bond yields have fallen steeply, Prof Meltzer claims, not because of confidence that inflation will remain low but because, with growth of reserves far exceeding loan demand, excess cash is being used to purchase government securities.

"We believe the Fed has delayed too long in responding to an emerging bubble in asset prices," he says. "The time has long passed when the Fed should have tightened monetary policy."

The criticism that Fed policy is too lax runs counter to the views of many mainstream economists who argue that the Fed ought to consider cutting rates further to stimulate a still sluggish economic recovery. Those wanting the Fed to be more expansionary complain that M2, the main measure of broad money, has barely grown at all in recent years.

Prof Meltzer and colleagues prefer to focus on narrow measures of the money supply, such as the monetary base which consists of currency in circulation plus banks' reserves with the Fed. Unlike M2 this measure has not been distorted by a shift from bank deposits to money market instruments in recent years.

The initial impact of excessive growth of the monetary base is to raise asset prices. But it will eventually feed through into higher consumer price inflation, the group warns. The Fed has thus been lulled into a false sense of security.

"We urge the Fed to slow the growth of the monetary base by 3 percentage points to an annual rate of no more than 8 per cent," says Prof Meltzer.

THE Southwest Bank of St Louis, which has acted as a bellwether for bank lending rates in the US, yesterday cut its prime rate by ¼ of a percentage point to 5.75 per cent, its first cut since July 1992.

Most other banks failed to follow suit, and several of the biggest commercial banks said they had no intention of cutting their prime rates. However, after two years in which US banks have rebuilt their lending margins, the move seemed an early sign that loan margins are likely to come under pressure soon.

Margins grew from just over 4 per cent in 1990 to 4.5 per cent last year, partly because banks widened spreads to rebuild reserves. The position of most banks has improved but they are still finding weak loan demand.

Rise in UK inflation hits bond and equity markets

By Peter Marsh in London

A SHARP increase in UK inflation yesterday increased the pressure on the government's economic strategy and sparked big falls in London bond and share prices. The FT-SE 100 index of leading equities suffered its biggest setback for seven months and the gilt-edged securities market had its worst day since sterling left the European exchange rate mechanism a year ago today.

News that the retail prices index rose in the year to August by 1.7 per cent, up from 1.4 per cent in the 12 months to July, came the day after government ministers imposed a near-freeze on public-sector pay next year on the grounds that inflationary pressures were weak.

The change between July and August in the year-on-year retail inflation rate was the biggest monthly increase since November 1991. It was triggered by a broadly based rise in prices of retail goods and services, particularly affecting clothes, shoes and household goods.

The Treasury's favoured measure of underlying inflation – the year-on-year increase in the index excluding mortgage interest payments – edged up to 3.1 per cent in August from 2.9 per cent in July to its highest level since March.

As a result of changed perceptions among UK investors about the outlook for inflation, the weakness of which has helped prolong the recent London share and bond rally, the figures hit both markets. With long-dated gilts closing down 2 points, investors also sold equities, pushing the FT-SE 100 down 38.6 to 2,989.4.

Investor nervousness about the UK economic outlook was heightened by separate Central Statistical Office figures indicating barely visible growth in retail sales volumes in August, and by weaknesses in share and bond prices across the rest of Europe prompted by worries about the effects of high interest rates and poor corporate earnings.

Sterling lost ground against the D-Mark, closing last night at DM2.4725, down more than 1 pfennig. Against a weak dollar, it strengthened by half a cent to $1.5515.

The news increased speculation that Mr Kenneth Clarke, chancellor of the exchequer, may have difficulties keeping the underlying measure within the bottom half of the Treasury's 1-4 per cent target range.

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London shares, Page 29

Controls on capital raised by Delors

Continued from Page 1

vigorous measures to rebuild the ERM, "prevent speculative shocks" as he put it yesterday, and get Emu back on track.

European monetary officials have suggested that with the possible exception of the Belgians, there was no enthusiasm for the reintroduction of exchange controls at this week's meeting of EC finance ministers in Brussels.

Mr Kenneth Clarke, the UK chancellor of the exchequer, reiterated his scepticism about the introduction of capital controls when talking to leading British financial and industrial figures earlier this week. Asked whether he thought capital controls should be introduced as a means of stabilising exchange rates, Mr Clarke said: "My advice is: forget it." Currency analysts were also highly critical yesterday of Mr Delors' comments.

Optimistic Arafat claims a new friend in Clinton

By Roger Matthews, Middle East Editor, in London

MR Yassir Arafat, chairman of the Palestine Liberation Organisation, returned from the US to his headquarters in Tunis yesterday declaring that a Palestinian state was within reach and that he had discovered a new friend in President Bill Clinton.

The PLO leader said he hoped to travel to Jericho in the Israeli-occupied West Bank within 10 weeks to begin setting up the new Palestinian authority agreed in the declaration of principles signed with Israel in Washington on Monday.

"After that will come a Palestinian state with Jerusalem as its capital and in confederation with Jordan," he said.

The PLO-Israel accord provides only for limited Palestinian autonomy in the Gaza Strip and Jericho which will later be broadened to include most of the West Bank.

Negotiations on the final status of the occupied territories, including the future of Jerusalem, which has been annexed by Israel, will not begin until the third year of the five-year period of autonomous Palestinian rule.

Israel and the US remain opposed to the concept of an independent Palestinian state. They will continue to press for Palestinian self-determination to be expressed within a confederation with Jordan.

However, Mr Arafat said his talks with Mr Clinton had been "cordial, friendly, positive and fruitful. I can say that the Palestinian people have an important friend in the White House."

Mr Yitzhak Rabin, Israel's prime minister, had earlier returned home from Washington to warn Syria against aiding groups which opposed the peace process.

He accused the Syrians of supporting Islamic radicals in Lebanon and providing shelter in Damascus for 10 hostile Palestinian groups.

"One hand is supposedly outstretched to peace while the other hand opens fire," he said in a broadcast on Israeli radio before the four-day Jewish new year holiday.

The Israeli premier also defended the deal struck with the PLO. "It seems to me that in this agreement we are taking the smallest chance," he said.

Israeli security forces were placed on alert yesterday in anticipation of attacks during the holiday by opponents of the Israeli-PLO peace accord, police and the army said.

Israel has barred nearly 1m Palestinians from leaving the Gaza Strip until Sunday. The army will also limit the number of Palestinians allowed to enter from the West Bank.

Jordan's trade fears, Page 6

THE LEX COLUMN

Pockets of resistance

Since British Aerospace's figures are the balance of such large flows, forecasting its results is a hazardous business. Nonetheless, even modestly disappointing surprises can unsettle a market still shell-shocked by the upheavals of the past two years. A high interest charge and the poor performance of commercial aircraft operations were perhaps there to be seen, but there is understandable nervousness from those who missed the trick. That the company's profitability is proving as slow and difficult to repair as initially indicated shows what a tangled mess it had become under the old regime.

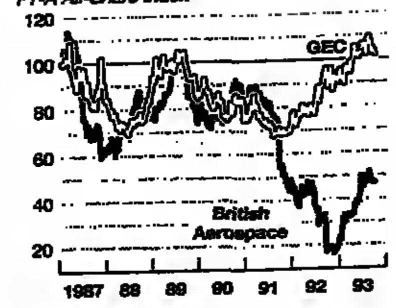
Still, knots are slowly being unpicked, and the new corporate structure and credit facilities provide a solid basis for progress. Cash inflow from operations, property disposals and the sale of corporate jet activities will cut borrowings in the second half. There may also be a £180m inflow if Ballast Nedam is sold.

Other deals could follow. The saga of regional jets and Taiwan Aerospace may yet reach a happy conclusion, though since BAe can now afford to walk away there must be a limit to its patience. Aérospatiale may prove a suitable partner for turboprop aircraft and negotiations with Matra continue on the missiles business. Talks with GEC were stopped, however, presumably for fear of frightening the banks at a critical stage of the refinancing. The company has not ruled out future discussions, which may be unwise since long-suffering shareholders who have a glimpse of better times can prove just as skittish as banks.

FT-SE Index: 2989.4 (-38.6)

BA and GEC

Share prices relative to the FT-A All-Share Index



Source: Datastream

Mirror Group

More good news from Mirror Group Newspapers must surely have convinced the administrator to press ahead with the sale of his 54.8 per cent stake. The rosy aura surrounding MGN after its half-year results produced another jump in the shares despite the market's fraying nerves. MGN's trading margin has increased by more than 3 percentage points to 24.2 per cent. Advertising revenue has climbed 6.4 per cent. The pension fund drain is proving less than feared. Even the Sun's price assault has failed to dull the shine. All this should provide an attractive backdrop for an institutional placing.

However, unanswered concerns remain about MGN's longer-term prospects. If extended, the 7p price differential between the Sun and Daily Mirror must surely tell over time. Any imposition of VAT on newspapers will further exacerbate the strain. As it was, MGN's cover-price revenue fell fractionally to £150m in the half-year. Impressive though they are, recent improvements may not alter a trend which has seen Daily Mirror circulation fall 40 per cent in the past 30 years. Once the recovery momentum exhausts itself, investors will look to yield to underpin the shares. But gearing of 85 per cent will permit no more than a modest dividend next year.

English China Clays

For all its ambition in speciality chemicals, English China Clays is shackled to the business its name describes. Yet supplying kaolin to paper makers is thankless when the industry is blighted by recession and over-capacity. Since many ECC customers are in countries with weak currencies, even sterling's exit from the ERM brought scant relief. The bleak message is that attempts to hold the line on pricing have been abandoned. Margin benefits from earlier rounds of rationalisation have been lost.

While that justifies ECC's decision to look for growth elsewhere, the commitment to pay an unchanged dividend which accompanied June's rights issue now looks a burden. Sales of surplus land underpin the cash cost of the pay-out, but it may not be covered by earnings. The picture is worse if profits from disposals and building materials, which is to be demerged, are stripped out.

Demerger might get ECC out of a tight spot, as it did for ICI. Loading building materials with more than its fair share of the dividend would provide relief for the parent without loss of face. But that relies on a recovery in aggregates, which is far from evident. The gamble then is that ECC can buy or conjure earnings growth before the cracks start to show.

Lasmo

Lasmo is putting a brave face on it, but there is no disguising its distress at the current oil price. Without its £13m exceptional provision release, operating profit would have been flat in the first half. Since then the oil price has fallen further.

Lasmo prefers to look at cash flow, since its profits are depressed by the high depreciation charge on assets – such as Piper – for which it overpaid in the past. Even on this basis, though, it looks squeezed. Its projections assume an oil price around $19 next year. If the price stays around $16, cash flow will suffer to the tune of around £60m, equivalent to its entire exploration budget for next year.

There is little scope for further savings, but it is hard to believe Lasmo would be prepared instead to jeopardise its future by abandoning the search for replacement assets. A more rational approach, if the going remains tough, would be to recapitalise with a rights issue that would allow expensive older assets to be sold off at a loss. Doubtless Lasmo hopes it will not come to that – not least because its promise to maintain a dividend it cannot really afford would then look doubly rash.

UK markets

It took expectations of strong earnings growth and lower gilt yields to drive UK equities to their recent peaks. Now these assumptions have been called into question on both fronts. Disappointing results from English China Clays and British Aerospace suggest earnings hopes have run ahead of reality, while bond markets in the UK and the US are suffering a bout of inflation jitters. It is dangerous to read too much into one month's price data, but the risk to the virtuous circle is particularly acute in the UK. If world bond markets lose their nerve, the government's deficit will become much harder to finance. Gilt market weakness would be quickly transmitted to equities as well as the exchange rate. One must hope this morning's PSBR number is not another nasty surprise.

FT WORLD WEATHER

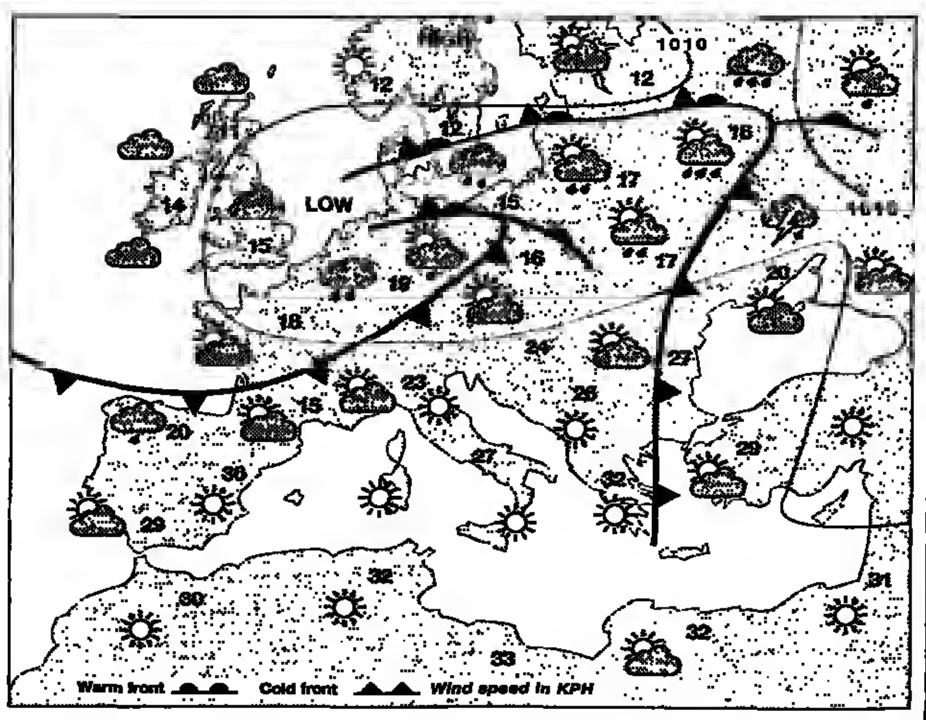
Europe today

A region of low pressure will remain from Denmark to the eastern CIS. A new vigorous low is expected to track towards the old depression with the lowest pressure expected near the Netherlands. Cool and changeable conditions will continue from the British isles to the CIS. Most rain is expected in Denmark, Germany and Poland. France will be mainly cloudy with only a few afternoon clear spots. Cloud will reach Spain, but the south-east will stay rather warm and sunny. Rain will reach north-west Spain in the afternoon. Most of Italy and former Yugoslavia will be warm and sunny. An old frontal zone will cause passing clouds over south-eastern Europe.

Five-day forecast

The zone of low pressure will move east, bringing rain to northern Poland, the Baltic States and Finland. In north-western Europe, a weak ridge of high pressure will produce slight improvement and higher temperatures on Friday.

By the weekend, a storm from the Atlantic will cause rainy and windy conditions over Ireland and eventually will lower temperatures and produce changeabla weather over north-west Europe early next week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	cloudy	13	Cardiff	cloudy	14	Frankfurt	shower	18	Malta	fair	30	Rio	sun	26
	Celsius		Belgrade	fair	27	Chicago	sun	19	Geneva	fair	19	Manchester	cloudy	14	Riyadh	sun	41
Abu Dhabi	sun	39	Berlin	shower	17	Cologne	rain	17	Gibraltar	fair	27	Manila	cloudy	30	Rome	sun	24
Accra	cloudy	31	Bermuda	fair	29	D' Salaam	fair	29	Glasgow	cloudy	14	Melbourne	rain	14	S. Frsco	fair	21
Algiers	sun	32	Bogota	fair	19	Dakar	fair	28	Hamburg	rain	18	Mexico City	shower	23	Seoul	cloudy	27
Amsterdam	rain	15	Bombay	rain	31	Dallas	sun	30	Helsinki	cloudy	10	Miami	fair	32	Singapore	thund	29
Athens	fair	30	Brussels	shower	15	Delhi	fair	32	Hong Kong	fair	31	Milan	fair	23	Stockholm	fair	8
B. Aires	fair	23	Budapest	fair	23	Dubai	sun	41	Honolulu	fair	31	Montreal	cloudy	17	Strasbourg	shower	21
B.ham	cloudy	14	C.hagen	rain	13	Dublin	cloudy	14	Istanbul	fair	28	Moscow	shower	11	Sydney	rain	18
Bangkok	shower	33	Cairo	sun	36	Dubrovnik	sun	26	Jersey	fair	14	Munich	cloudy	20	Tangier	fair	25
Barcelona	sun	25	Cape Town	sun	20	Edinburgh	cloudy	14	Karachi	fair	32	Nairobi	sun	27	Tel Aviv	sun	32
Beijing	shower	29	Caracas	shower	27	Faro	fair	24	Kuwait	sun	42	Naples	sun	27	Tokyo	fair	26
									L. Angeles	fair	22	Nassau	sun	31	Toronto	sun	18
									Las Palmas	fair	27	New York	cloudy	24	Tunis	fair	31
									Lima	fair	19	Nice	fair	24	Vancouver	sun	17
									Lisbon	cloudy	22	Nicosia	sun	34	Venice	fair	23
									London	shower	15	Oslo	cloudy	11	Vienna	fair	23
									Lux.bourg	shower	15	Paris	shower	18	Warsaw	cloudy	17
									Lyon	fair	23	Perth	shower	20	Washington	fair	28
									Madeira	fair	26	Prague	cloudy	18	Wellington	fair	12
									Madrid	sun	24	Rangoon	cloudy	31	Winnipeg	cloudy	12
									Majorca	sun	28	Reykjavik	fair	10	Zurich	cloudy	19

FINANCIAL TIMES
COMPANIES & MARKETS
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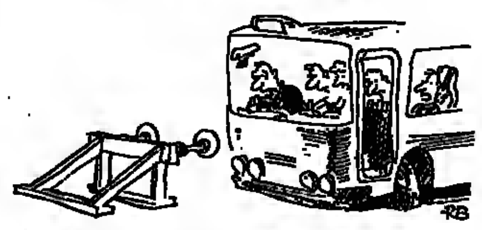
INSIDE

Kopper may expand equities operations
Deutsche Bank is poised to expand its international equity operations as part of plans to round off the foreign growth of the past 10 years. Mr Hilmar Kopper, chief executive, said the bank did not feel "under any pressure" to make a stockbroking takeover. "But if we see a gem, we might take it." Page 20
Two of a kind: Bankers with unique perspectives speak to David Marsh; Page 21

Reebok fires ad agencies
Reebok International, the US athletic shoe and apparel manufacturer, has fired its two main advertising agencies and consolidated its entire $140m advertising account with Leo Burnett Co of Chicago. Page 21

Bus group hits BR buffers

National Express, the UK bus company, set out for its destination when it was floated last December, but recession has delayed its arrival. Plans have been frustrated by British Rail which has lured away coach travellers with fare discounts of up to 80 per cent. Page 26

Greek election leads to flight
The resignation of the Greek government last week and the subsequent decision to call an election for October 10 led to an immediate flight out of equities in Athens. Back Page

Lasmo warns on oil prices
Lasmo, the UK independent exploration and production company, yesterday reported net profits of £20m for the first half of 1993, but warned that low oil prices were threatening profitability. Page 24

Taylor Nelson AGB lifts profits
Taylor Nelson AGB, the largest market research group in the UK, lifted pre-tax profits by 57 per cent to £1.55m ($2.38m) for the first half. Page 25

Waterford Foods books 31% rise
Waterford Foods, the Irish dairy group, has reported a 31 per cent rise in pre-tax profits to I£11.4m ($16.47m) on turnover up 35 per cent to I£338.5m. Page 26

Storehouse ahead
Mr Keith Edelman, new chief executive of the Storehouse retailing group, said yesterday that sales were ahead of last year, as he announced the group was setting aside an extra £6m ($9.24m) to cover the cost of business disposals. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Porsche	639.5	+	7.5
Falls			
Berliner Bank	388	–	7.5
Douglas Hldg	550	–	19
Horten	204	–	8
Industrie Werke	326	–	10
Leifheit	625	–	13
NEW YORK ($)			
Rises			
Federal Express	58¼	+	2¼
Intel	64½	+	1
Microsoft	76¾	+	1
Motorola	95⅛	+	3¼
Falls			
Digital Equip	36½	–	1½
Walt Disney	38⅜	–	2¼
PARIS (FFr)			
Falls			
Accor	590	–	15
Bancaire Cie	520	–	15
Bouygues	676	–	14
Cred Lyon (CI)	700	–	26
Havas	454	–	21
Peugeot	635	–	20

Tokyo closed. New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Bluebird Toys	438	+	87
British Steel	110	+	4
LASMO	133½	+	5½
Mirror Group	186	+	8
Sage	420	+	13
Falls			
Assc Fisheries	159	–	15
Brit Aerospace	394	–	26
Domestic & Gen	1625	–	75
English China	409	–	26
Ex-Lands	34½	–	4
French Connctn	120	–	17
Gent (SR)	62	–	6
Grand Met	410	–	13
Linton Park	250	–	30
Medeva	106½	–	9
Morgn Crucible	302	–	20
Natl Express	258	–	12
Oriel	104	–	10
RTZ	678	–	20
Roskel	71	–	9
Taylor Woodrow	112	–	7
Try Group	38	–	3

■ Market surprised by high debt charges and turboprop losses ■ Analysts lower full-year estimates

BAe disappoints despite £20m profit

By Paul Betts, Aerospace Correspondent

BRITISH Aerospace yesterday returned to profit after one of the most turbulent periods in its history.

The company, Britain's biggest exporter of manufactured goods, reported a £20m ($30.8m) pre-tax profit for the first half of this year compared with a £129m loss in the same period last year.

But the turnround disappointed the stock market which was surprised by the high level of the company's debt charges and continuing losses in BAe's turbopropeller regional and commuter aircraft activities.

BAe's shares closed 26p lower at 394p as analysts lowered estimates for the company's full-year profits from a range of £100m-£150m to a range of £60m-£90m.

"The process of recovery appears to be taking longer than we expected," one analyst said.

Mr John Cahill, BAe chairman, said the company was continuing to put the emphasis on cash generation and cost reduction to boost longer term profitability.

Mr Dick Evans, BAe chief executive, also confirmed the company's efforts to pursue a series of strategic partnerships at the same time as disposing of non-core businesses.

After negotiating a partnership with Taiwan Aerospace for its regional jet operations, BAe is now seeking partners for its turbopropeller commuter aircraft business which lost £60m in the first half.

Mr Evans said talks to merge BAe's guided missiles business with those of the French Matra group were making good progress.

The company is also engaged in co-operation and possible sale talks, with the Dutch Boskalis group, for its Dutch construction subsidiary, Ballast Nedam. It is also considering selling some property assets to generate additional cash.

BAe's core defence activities continued to show strong profitability in the first half with pre-tax profits before interest of £230m, slightly lower than the £264m in the same period last year.

Defence activities have been underpinned by the confirmation this year of an additional order for Tornado aircraft from Saudi Arabia.

Commercial aircraft activities reduced their losses to £81m from £386m in the same period last year, but the company warned that the turbopropeller sector was continuing to incur losses.

BAe's Rover car subsidiary reduced its first-half losses to £19m from £31m in a recovery fuelled by good sales performance in both the UK market and in continental Europe against the general trend. Rover is expected to be in profit for the full year.

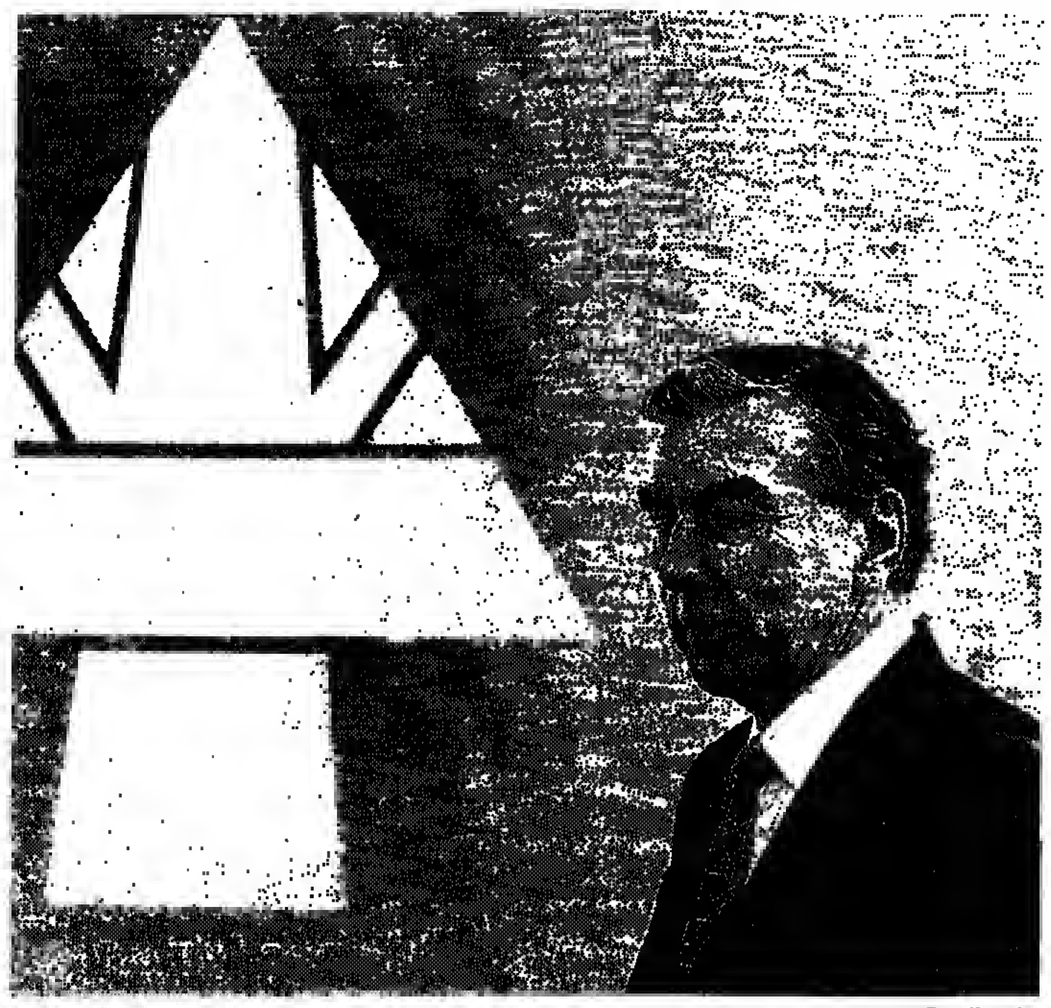
Overall, BAe first-half sales rose to £5.074bn from £4.628bn the year before.

The dividend was increased to 3.3p from 3p. Earnings per share were 4.2p, compared with a loss of 35p.

BAe said a much reduced seasonal first-half operating cash outflow meant that net debt increased by £464m during the first half to £721m.

An increase to £91m in first-half interest charges from £62m the year before reflected in large part the lower interest earned on the company's cash deposits compared with the interest paid on its fixed debt.

Lex, Page 18
Rover set to make profit, Page 24


BAe chairman John Cahill says the company is continuing to emphasise cost reduction
Trevor Humphries

CSFB commits to worldwide earnings scheme

By Norma Cohen, Investments Correspondent

CS First Boston, the investment banking arm of Switzerland's CS Holding, is developing a company-wide compensation scheme as part of its efforts to meld into a single global investment bank.

Compensation has been a controversial subject at CS First, which operated until recently as three separate regional entities tied together with revenue-sharing agreements.

Last week the company adopted a single name worldwide. A new slogan, "One Firm, One Name, One Mission", is intended to symbolise an end to the regional tensions that have hampered profitability.

Mr Alan Wheat, chief operating officer, said that the new compensation system might not be in place until next year. "Measurement systems in this company are not what you would want them to be," he said, adding that not all the issues surrounding compensation had been resolved.

He said completion of the new arrangements might cause some further departures from the company, which suffered a number of well-publicised defections earlier this year. "I think there are other people who may well leave," Mr Wheat said.

Mr Wheat's predecessor, Mr Archibald Cox, resigned in July after a string of top New York investment bankers left CS First. The departed bankers were unhappy that their annual bonuses last year were low because of the poor performance of the company's European and Asian operations.

Mr David Mulford, who heads the company's worldwide investment banking division and chairs its European operations, said the previous emphasis on the performance of various geographic regions stymied CS First's ability to promote its products worldwide.

For instance, the investment bank had complex inter-group agreements for dividing profits among various geographical regions that contributed to, say, an international equity offering.

"Even I couldn't understand these agreements," Mr Wheat said. Moreover, the fact that regions competed for business separately often meant they competed against each other. "We often had two teams, two groups, who would bump into each other in the hallway while making a presentation," he said.

Of the geographical regions likely to require the greatest change, Mr Wheat said the US, where 4,000 of the CS First's 6,000 employees are based, would be the priority.

Mr John Hennessy, chief executive, said CS First was targeting its investment management business as main growth area under the new structure.

GM to sell Allison Gas Turbine arm to investor group

By Martin Dickson in New York

GENERAL MOTORS, the US vehicle group, is to sell its Allison Gas Turbine division, which makes engines for the aerospace, industrial and marine markets, to an investor group led by Clayton, Dubilier & Rice, the leveraged buy-out specialists.

The two sides declined to disclose the value of the deal, but Wall Street analysts estimated it would be worth around $300m.

The disposal is the latest in a series by GM designed to concentrate its energies on improving its loss-making North American car operations. Other divestures over the past year include its Allison transmission division, which was sold to ZF Friedrichshafen of Germany.

Clayton, Dubilier & Rice, which manages an equity capital pool of more than $1bn, is a prominent US buy-out investor.

Its deals include the $1.6bn 1991 buy-out of the computer printers group Lexmark International from International Business Machines.

GM announced in April last year that it was putting Allison up for sale. Mr Joseph Rice, president of Clayton, Dubilier & Rice, said yesterday that the firm had been negotiating with GM for the better part of two years, but "for some period of time GM had not really made up its mind that it wanted to sell this business".

Clayton, Dubilier & Rice will be investing around $100m of equity in the business. Allison's managers are expected to buy up to 20 per cent of the common stock.

The management investment team will be led by Mr Blake Wallace, general manager of the division since 1983, who will become president and chief executive of the independent company, to be called Allison Engine.

Allison, which became a division of GM in 1929, had 1992 sales of around $700m. It is profitable, though neither party would give a figure.

Its most important business is making engines for the aircraft industry. It is a supplier for the C-130 military transport and also supplies civilian and military helicopters. Mr Rice said it had important products in the pipeline and saw opportunities in the market for feeder airlines, which run services into the hubs run by the leading US carriers.

Leveraged buy-outs have diminished greatly in number since the 1980s, but a steady stream of medium-sized deals has been taking place in the US over the past two years.

MGN recovery clears way to early disposal of shares

By Andrew Bolger in London

A STRONG recovery in profits at Mirror Group Newspapers has cleared the way for an early disposal of the 54.8 per cent stake in MGN held by administrators controlling the collapsed Maxwell private empire.

MGN shares rose 8p to 186p after the company reported that pre-tax profits shot up from £15.3m to £69.9m ($107.6m) in the six months to June 27. Trading profits, which it said reflected increased revenues and reduced costs, climbed 16 per cent to £57.3m.

Mr David Montgomery, MGN chief executive, said the circulation of the Daily Mirror and Scotland's Daily Record had not been hurt by News Corporations's rival tabloid, The Sun, which since July has been undercutting its MGN rivals by 7p per copy.

Advertising revenues rose 6.5 per cent, helping group turnover rise 1 per cent to £237.2m. Reductions in staff and efficiency benefits had cut costs by £4m in the first half and would produce annualised savings of £17m.

Mr John Talbot of Arthur Andersen, who is joint administrator to the private Maxwell companies, declined to comment on rumours that the stake of 200m shares would be placed soon. Mr Montgomery said there had been no sign of any single buyer for the stake. He hoped it would find a home with institutions, which would allow editorial independence.

Pre-tax profit before exceptionals rose from £15.3m to £33.8m. Exceptional credits, as the company adjusted Maxwell-related provisions, totalled £36.1m. The company expects to begin paying dividends again next year.

The exceptional gains included a release of £30m against provisions for pensions, less £10m of deferred tax. There was another release of £9.5m in provisions for restructuring charges. That was offset by a charge of £10.7m to cover the costs of shifting the company's headquarters from Holborn Circus to Canary Wharf.

The proposed settlement with private Maxwell companies brought a £15.2m release, and another £11.4m in provisions was set aside to cover other London leasehold properties. The deal with the private Maxwell companies diminished MGN's tax charge for the half by £4.1m to £17.9m, compared with £5.3m last time.

Earnings per share rose to 13p (from 2.6p), although the underlying figure, minus exceptionals, was 6.4p (against 2.6p).

Lex, Page 18; Observer, Page 17

ICI wants to sell large stake in ethylene plant

By Paul Abrahams in London and Chris Tighe in Newcastle upon Tyne

IMPERIAL Chemical Industries, Britain's biggest chemicals company, said yesterday it wanted to sell a substantial stake in its Teesside ethylene plant in north-east England, one of Europe's largest petrochemicals operations.

The move would continue ICI's withdrawal from commodity petrochemicals.

Mr Ronnie Hampel, chief executive, said the 850,000 tonne a year plant, at Wilton, was not a core activity and he expected ownership to change hands. Ethylene is the basic building block for plastics.

"There's no urgency. We won't be a distressed seller and we want to dispose of it in a constructive way.

"But it is not a core business in the sense that it will be part of ICI forever and certainly not in a 100 per cent way," he said.

ICI has already set up a joint-venture with Enichem of Italy for its polyvinyl chloride operations and is in the process of selling its European polypropylene operations to Germany's BASF.

Speaking at a chemicals industry seminar hosted by SG Warburg, Mr Hampel said: "The Teesside ethylene cracker is modern and cost-competitive and will remain part of the European petrochemical industry for a long time to come."

He stressed that the PTA and Melinar ethylene derivatives businesses were not for sale and that the company would require secure supplies of ethylene for these operations.

Mr Hampel said: "Gone are the days when ICI could afford to carry businesses in which we have no competitive advantage and which do not have profitable growth potential." He has set a target for his businesses of an average return of assets of 20 per cent a year over five years.

The ethylene facility is part of the industrial chemicals division which generated profits during the first half of the year of £60m ($92m) on turnover of £1.8bn. ICI was not interested in building a new ethylene plant at Wilton when the existing one required replacing, Mr Hampel said.

While it came as no surprise on Teesside to learn that some ICI activities at the site were vulnerable as the company focuses on core businesses, Mr John Newbold, Teesside district secretary of the Transport and General Workers Union, was enraged at Mr Hampel's comments.

"I find that bloody statement appalling," said Mr Newbold, whose union represents 2,000 of the 5,000 blue-collar ICI employees at Wilton.

"It would have been common courtesy to explain to the workforce first of all. His first responsibility is to his workforce, not to cause more bloody uncertainty."

VW warns on impact of forecast shortfall at Seat

By Christopher Parkes in Frankfurt

THE expected DM1.25bn ($781m) loss at Spanish subsidiary Seat will have a "considerable impact" on the Volkswagen group's earnings this year, the German company said yesterday.

It said an emergency cash injection of DM1.5bn would not have an immediate effect.

Officials would give no firm forecasts, but maintained that the German parent company would break even.

Mr Ferdinand Piëch, group chairman, yesterday told workers at the main Wolfsburg plant that the parent and the group would make a profit in the third quarter.

Meanwhile, analysts said any "lingering illusions" that the group could cancel out the first-half loss of DM1.6bn and break even this year had evaporated. VW shares dropped DM11 to DM350.50 yesterday in a falling Frankfurt market.

New figures produced by Mr Piëch on vehicle deliveries so far this year showed little improvement to support recent claims that orders were improving steadily.

Total group deliveries to customers for the eight months to the end of August were 2.1m, 13 per cent lower than in 1992.

Even though the figure for Germany was 24 per cent lower at 651,000, home market share had risen 0.4 per cent to 20.5 per cent.

Deliveries in the rest of western Europe were down 20 per cent at 704,000, and market share was 16.5 per cent.

He gave no figures for North America or Asia, where the group recently admitted it was having difficulties. The new Golf, made in Mexico, is finally filtering into the US. It had been launched in California, the company said.

Mr Piëch, who has steadily back-pedalled on earnings forecasts for this year, yesterday also appeared to throw doubt on plans to build s new small car, the Chico, in Wolfsburg.

This was still the aim, but only if "production costs at the plant can be reduced to compare with those on a greenfield site", he said.

Mr Otto Ferdinand Wachs, a senior spokesman, said the group "understood" the decision by Mr Günter Rexrodt, the federal economics minister, to abandon his role as peacemaker between VW and Adam Opel in their row over alleged industrial espionage.

Opel was clearly not prepared to talk and Mr Rexrodt had recognised there was nothing to be done.

The minister, speaking in Brussels, claimed a good part of his aim had been achieved. He had "never mediated in a formal sense," be said.

Deutsche Bank looks to fill in the gaps

Chief executive Hilmar Kopper outlines his equities expansion plan to Haig Simonian

DEUTSCHE Bank is poised to expand its international equity operations as part of plans to round off the foreign growth of the past 10 years.

Mr Hilmar Kopper, chief executive, said ths bank did not feel "under any pressure" to make a stockbroking takeover. "But if we see a gem, we might take it, even if it's expensive," be said.

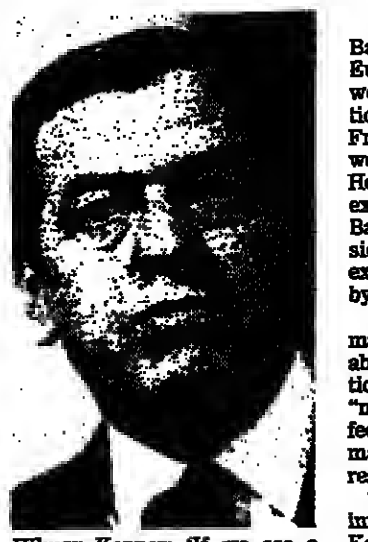
Mr Kopper said dealing in shares and derivate products was the only area in which the bank felt under-represented. "We're basically happy with the bank's structure now. There are just some geographical regions and product areas to fill in," he said. Predominant among them was equities, where the bank, especially outside Germany, did not have the same international clout it had in bonds or other banking activities.

Speaking just before a rare meeting of Deutsche Bank's 13-member managing board in Milan this week, Mr Kopper stressed any stockbroking acquisition would have to meet the bank's strict rules on adequate return on assets. Takeover candidates were being regularly reviewed, subject to meeting the bank's return on assets criteria.

The bank saw no contradiction between its growing interest in equities and its continuing defence of German rules limiting shareholders' voting rights, and protecting companies from takeovers.

In spite of the substantial reforms passed to improve Frankfurt's standing as a financial centre, Mr Kopper said further measures, such as insider trading laws and disclosure of minimum share stakes, were still needed to bring domestic financial markets into line with the US and UK.

"I'm still a firm defender of restricting voting rights, as long as there are no other tools in Germany to maximise transparency. Once we have such instruments in plsce, I wouldn't want to defend restrictions. Indeed, I think we would set an example ourselves," he said.



Hilmar Kopper: 'If we see a gem, we might take it'

Mr Kopper said Deutsche Bank was content with its European retail banking network, meaning that acquisition-based expansion plans for France and possibly the UK were now on the back burner. However, it was still keen on expanding in Italy, where its Banca d'America e d'Italia subsidiary, bought in late 1989, expects to have 160 branches by year-end.

Althongh Deutsche Bank's managing board has looked st about six Italian bank acquisitions over the past 12 months, "nothing had been quite perfect", said Mr Ulrich Weiss, the managing board member responsible for Italy.

"We are quite willing to invest more in Italy," said Mr Koppar. The targets were small: regional banks with a tight cluster of branches in economically-attractive regions.

Dentsche Bank was not interested in buying into the state-controlled hanking or insurance operations due to come on the market shortly under the Italian government's privatisation plans. It was keen to play a part in Italian privatisation, but remained wary of buying into any bank it felt was too big for local staff to manage, be said.

On the earnings front, Mr Kopper confirmed that net group profits this year would be hroadly unchanged. There was considerable uncertainty over earnings in the domestic market in the second half.

The bank might be obliged to make substantially higher bad-debt provisions, he said.

The bank's forecast that Germany's recession had bottomed out, and for a gradual recovery early next year, meant many small companies now in difficulty could still go bankrupt if they failed to find adequate working capital for the upturn, he warned.

English China Clays blames tight margins for slight fall

By Paul Taylor in London

ENGLISH CHINA Clays, the UK industrial minerals and construction materials group, yesterday reported slightly lower first-half profits, which it blamed on tighter margins and fierce competition in its core clay business.

The decline in pre-tax profits, to £40.3m ($60.45m) in the six months to June 30 from an adjusted £40.8m a year earlier, disappointed the markets and fuelled a 26p fall in the group's share price, to 408p.

At the end of June, the group acquired the Calgon specialty chemical business in the US for £209.7m. It has also announced plans to demerge its construction materials division - a move expected to take place in the first half of 1994.

Earnings per share declined to 9.85p from 10.02p a year earlier. However, the interim dividend is uncbanged at 6.6p, as foresbadowed at the time of the group's successful £113.4m rights issue.

Turnover rose 7.4 per cent, to £515.1m from £479.4m. The group also managed to increase operating profits to £47.8m from £41m, although £4m of the improvement was attributable to currency movements.

Mr Andrew Teare, chief executive, said trading conditions had remained difficult in industrial minerals markets, particularly in the European paper and ceramics industries, both important markets for china clay.

The core ECC international operations reported operating profits of £38.1m, down sharply from £47.6m in the 1992 first half. This was in spite of an overall 2 per cent increase in sales volumes of industrial minerals.

The lower profits reflected a decline in margins as the group was forced to abandon its "robust" pricing policy in the face of price and cost pressures.

The impact of the lower margins more than offset the benefits of the generally lower sterling exchange rate.

Operating profits in the construction material division fell to £6.2m from £8.4m. In Europe, a 7 per cent fall in sales volumes of aggregates mainly reflected the ending of large contracts in the UK south-west.

The group has been running down its UK housing operations and completed the sale of 97 new houses in the first half, with 104 homes remaining at the end of June.

Proceeds from land sales were £13.2m, significantly up on last year. They contributed operating profits of £6.6m.

Net interest expense of £7.8m was sharply higher than the £900,000 reported in the 1992 first half.

This reflected the fixing of US dollar interest rates, the devaluation of sterling, and lower interest income on sterling casb balances.

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Generali earmarks cash for expansion

By Haig Simonian in Milan

GENERALI, Italy's biggest insurance company, is considering spending "more than L200bn ($130.2m)" on investments or acquisitions in "Anglo-Saxon" markets.

The outline of the move, contained in information linked to the prospectus for the impending rights issue by Generali's Alleanza life subsidiary, gives no clues as to where or when the money might be spent.

Generali says a study into investments in international pension fund or reinsurance activities was "in an advanced stage". A number of Italian insurers are believed to be examining the pension fund business in view of new Italian legislation opening the door to private pension systems.

The leaked information also reveals that parent company premiums rose 14.4 per cent, to L4,518.5bn, in the first half, while premium income at group subsidiaries soared 28.6 per cent to L8,600bn. The company warned that official first-half results would not be released until later this month.

The "Anglo-Saxon" investment is just one of a number of spending plans earmarked for the L1,000bn cash pile on which Generali is still sitting after its controversial L1,750bn 1991 rights issue.

Other possible investments include about L200bn for Latin America, between L70bn and L80bn in east Asia, and up to L15bn in eastern Europe.

Senior executives have invariably played down the prospects of a big takeover. Instead, they have emphasised that the group's cash pile, shortly to be swollen by receipts from the complex Alleanza deal, would be ploughed back into the business, or used for small, sectoral acquisitions.

The prospectus shows some L440bn has gone toward building a 5 per cent stake in Banco Central Hispano-Americano, Generali's partner in a Spanish joint venture.

Included in the leaked first-half figures is information that Generali's overall proportion of claims to total premiums, including reinsurance, had fallen to about 78 per cent, against 82 per cent last year. The claims ratio was now around 72 per cent for the group's directly-written Italian business, and 80 per cent for risks abroad.

Job-cut costs batter profit at Simint

SIMINT, the Italian clothing group in which designer Mr Giorgio Armani has a 20 per cent stake, reported a collapse in net profits for the year ending April 30, writes Haig Simonian. It blamed extraordinary charges and higher borrowing costs.

Net earnings fell to L1.6bn ($1m) from L17.4bn. The dividend for ordinary and preference shares is being cut to L50 from L150. Sales rose 7 per cent to L377.5bn.

Mr Luca Ramella, managing director, said the earnings fall had been expected. He stressed that operating profits had risen by 10 per cent, to L49.7bn from L45.2bn, in spite of a L7bn provision on stock and trade credits. Net operating profits fell slightly, to L33.6bn from L34.1bn, after a L5bn rise in depreciation to L16.1bn.

Mr Ramella blamed the profits plunge on one-off restructuring costs linked to the virtual balving of the group's workforce, and an increase in interest charges to L10bn.

Telefónica returns fire in data network battle

By Tom Burns in Madrid

TELEFONICA, the Spanish government-controlled telecoms group, has countered an incursion by British Telecommunications into its domestic market by launching its own data transmission network.

The response to BT was signalled yesterday when Telefónica announced an agreement to supply voice and image services, as well as data, to Caja Madrid, Spain's second-ranked savings bank, which has a national network of 1,200 offices.

BT fired the opening shot in the battle when it joined forces with Banco Santander, the big domestic banking gronp, to form a data transmission company aimed at capturing up to 20 per cent of the local market.

Investment in the BT venture, which will build on Santander's Megared data company, will be around Pta80bn ($625m) spread over 10 years.

Telefónica said its service would be delivered early next year. It was finalising negotiations for similar ventures with two large domestic groups.

Yesterdsy's development shows that competition will be strong in Spain's recently deregulated data transmission market, and is indicative of the struggle awaiting competing groups when business in cellular telephones is liberalised next year.

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to Haig Simonian

Job-cut costs batter profit at Simint

FIELDS

INTERNATIONAL COMPANIES AND FINANCE

Two of a kind: Bankers with unique perspectives speak to **David Marsh**

Head of Morgan Grenfell's wider family

Mr John Craven, chairman of Morgan Grenfell, the UK merchant bank, is a British banker with a difference: he enjoys a unique inside view of Deutsche Bank, Germany's largest commercial bank. Deutsche Bank acquired Morgan Grenfell at the end of 1989 in a £950m ($1.46bn) deal, and as a result Mr Craven became the first non-German in the bank's 123-year history to gain a seat on its management board.

Like the other dozen board members, he earned an estimated DM1.5m ($920,000) last year – nearly double the Morgan Grenfell chairman's £230,000 ($508,200) salary in 1989.

After three-and-a half years of observing his august new parent company, Mr Craven's enthusiasm is palpable. "It is incredibly well managed and works incredibly well."

He spends two days a week visiting German companies or attending Deutsche Bank meetings, and cites the length of Deutsche's board sessions – which average five to six hours – as an example of the benefits of German thoroughness. Each board member has executive responsibility for a specific operating area. This means, he says, that measures agreed at the top can be implemented through the group with smoothness and decisiveness.

Four Deutsche Bank board members, including Mr Hilmar Kopper, the bank's board speaker, sit on Morgan Grenfell's board, taking part in all strategic decisions. Deutsche Bank this year has increased its influence over the management of Morgan Grenfell's German subsidiary, the country's leading mergers and acquisition specialist. Nonetheless, Mr Craven says his bank has maintained a separate identity within the Deutsche Bank group.

Morgan Grenfell's senior executive team has remained largely unchanged since the takeover, even though overall staff numbers have dropped to 2,000 from 2,300. "Deutsche Bank paid a goodwill sum of between £450m and £500m to reflect Morgan Grenfell's history, mentality and people. It would have been foolish to have paid this price and then to have got rid of the people."

The Anglo-German link has brought complementary advantages. After turbulent years during the 1980s, Morgan Grenfell has benefited from Deutsche Bank's financial strength and deal-making contacts. After-tax profits last year, at £56m, were double the 1990 level.

Deutsche has gained access to Morgan Grenfell's financial engineering skills at a time when German companies have been seeking novel responses to the challenges of reunification and recession. "The strength nf the D-Mark, the costs of unification, high welfare payments – this has all contributed to a situation where parts of German industry have become uncompetitive."

These difficulties, according to Mr Craven, have increased demand in Germany for Morgan Grenfell's expertise in areas such as mergers and acquisitions, disposals and joint ventures. "Deutsche Bank correctly anticipated that German companies would increasingly use mergers and acquisitions to address strategic objectives. Deutsche Bank didn't have a network of M&A officers. By contrast, we have 300 merger people around the world.

"Three years ago, Morgan Grenfell had an active relationship with less than half a dozen major German companies. Now we have access to a majority of the big German companies – perhaps 50 or 60." About 30 German corporate deals in which Morgan Grenfell has acted as adviser have been made public.

Because times are harder, he believes one central feature of the German economic system – the country's "universal" banks, playing combined roles as lenders, traders in securities, and long-term shareowners – retains crucial importance. "A bank like the Deutsche Bank is a bit like a combination of the National Westminster Bank, S. G. Warburg and the Prudential.

"If a company gets into trouble in Germany, the attitude of the Deutsche Bank is: 'How can we assist it to get through this troubled period?' In Britain, the moment a clearing banker knows there is a problem, the reaction is, 'How quickly can we run our exposure down?'."

John Craven: parent is 'incredibly well managed and works incredibly well'

Trinkaus chief plays down its parentage

Mr Herbert Jacobi, the chairman of Düsseldorf-based Trinkaus & Burckhardt, runs a foreign-owned bank. Part of his job, however, is to ensure that the parentage of this two centuries-old German private banking house is not too evident. Trinkaus & Burckhardt is 70 per cent owned by Midland Bank of the UK, which last year became part of the Hongkong and Shanghai Bank group.

Trinkaus has been in foreign hands since the 1970s, when Citibank of the US acquired a majority share which it sold to Midland in 1981. Now, however, playing down its non-German ownership is a key part of the bank's strategy. "Many customers do not know we are foreign-owned."

The bank's shares are listed on the German stock market, and, in accord with German private bank tradition, it is directed by five personally liable managing partners, of whom Mr Jacobi, 58, is the most senior.

The emphasis on its credentials is designed to highlight that most essential German business trait: reliability. "Foreign banks in Germany have a reputation as 'fair weather' institutions. There is a belief that foreign head offices have only to whistle to call in loans. This can be fatal for an important part of our business.

"No foreign bank in Germany has ever been successful," says Mr Jacobi, who joined Trinkaus in 1981.

He speaks from experience. In addition to spells at Deutsche Bank and BHF Bank in Frankfurt, Mr Jacobi worked for Chase Manhattan between 1964 and 1977, spending several years running Chase's perennially lacklustre German operations.

Although Trinkaus puts its German character in the foreground, its banking activities are strongly international. It builds its business around what Mr Jacobi calls the "three pillars" of corporate finance, private asset management and financial market operations, including new issue business and foreign exchange. Net profits have been steady at DM40m ($24.6m) annually during the past two years.

The bank's main customers are individuals with assets of more than DM1m and companies with cross-border transactions which want to improve financial management. A firm adherent of Germany's "universal banking" tradition, he is pleased that Trinkaus can offer services across the whole spectrum of banking. "I don't know a better way of being close to our customers."

These customers are being squeezed, like Germany as a whole, by the consequences of reunification. "German unity is a terrible crisis – but also an opportunity. There was no 'game plan' [to carry out unification three years ago], because no-one believed it was possible." Making a success of German unity will, he says, take 10 to 12 years.

Mr Jacobi outlines two areas where German industrialists and bankers are being forced to change their agenda. The first concerns the need to improve efficiency by cutting costs and shifting production abroad. German manufacturing costs, he says, are up to 30 per cent higher than those of foreign competitors. "I believe that German industry will overcome its difficulties, but at the cost of mounting unemployment."

The second big change is in the financial field. Because of the "colossal costs" of reunification, German companies are now more dependent on stock market finance, including, crucially, on funds from foreign investors.

English phrases like "shareholder value" and "investor relations" – increasingly in vogue to Germany – have no German equivalent, he explains sardonically, since until recently these concepts had no place in the German banking vocabulary.

Mr Jacobi is convinced that convergence of ideas and practices is taking place in EC countries. "But this is the result of force of circumstances, not because of any bureaucratic project laid down in Brussels." He is distinctly sceptical about EC plans for economic and monetary union. "I believe in Europe, but not in the Maastricht timetable."

Herbert Jacobi: 'No foreign bank in Germany has ever been successful'

US chemicals group to take $420m charge

By Richard Waters in New York

AMERICAN Cyanamid, the US pharmaceuticals and chemicals group, will take a $420m after-tax charge in the third quarter to reflect the completion of a plan to shed its chemicals businesses and $100m of environmental clean-up costs.

The company said yesterday that its chemicals business, Cytec Industries, would be spun-off as a separate company on the New York Stock Exchange shortly, with all outstanding Cytec ordinary shares being distributed to Cyanamid shareholders as a taxable dividend.

Cyanamid will retain preferred stock convertible into 30 per cent of Cytec's ordinary shares.

The move, along with the closure of chemicals operations not taken on by Cytec, completes a two-year plan to retreat from chemicals and focus instead on pharmaceuticals and products for the agricultural industry.

After-tax costs linked to the disposal and closures will be $320m in the third quarter.

The chemicals business accounted for around $1bn of Cyanamid's $5.3bn of sales last year, but only $34m of its $564m operating income.

Cytec had assets at June 30 1993 of $1.1bn, and will have 6,700 employees. It will take on $225m of environmental liabilities and $400m of liabilities for its employees' post-retirement health and life insurance benefits.

Also yesterday, Cyanamid said it had reviewed its environmental position and decided to take an after-tax charge of $100m to reflect likely clean-up costs.

The company said it will remain responsible for the environmental position of Cytec's plant at Bound Brook, New Jersey after the spin-off is complete.

Sharee in American Cyanamid were $¼ higher at $53⅞ before the close in New York yesterday.

Reebok fires two main advertising agencies

By Frank McGurty

REEBOK International, the US athletic shoe and apparel manufacturer, has fired its two main advertising agencies and consolidated its entire $140m advertising account with Leo Burnett Co of Chicago.

The dismissal of the New York office of Chiat/Day and Euro RSCG of London follows a disappointing sales performance by Reebok in the second quarter.

In the period, Reebok – whose current advertising features US basketball star Shaquille O'Neal – experienced a 3.5 per cent fall in worldwide footwear sales and a 9.5 per cent drop in the US. Net revenue fell to $657.6m, against $701.9m in the 1992 quarter. Meanwhile, sales by arch-rival Nike have climbed.

The company said it had decided to consolidate the business at Burnett to take edvantage of its worldwide network of 55 offices in 40 countries.

"We need the strength of a global agency," the company explained. Burnett previously handled the Reebok brand in Latin America and Asia, with estimated advertising billings of $20m.

Reebok insisted that it was not dissatisfied with the creative work produced by Chiat, which held the company's estimated $80m US advertising account since 1991. To underline the point, it said it would continue airing Chiat's "Planet Reebok" campaign, featuring Mr O'Neal.

Euro RSCG was awarded Reebok's estimated $40m to $60m pan-European account only last year.

Tax change to hit Coca-Cola

By Frank McGurty in New York

THE Coca-Cola Company warned yesterday that a recent revision of the US tax code would reduce its full-year earnings by 4 cents a share.

The Atlanta-based soft drinks company said its effective consolidated tax rate for 1993 would increase by one-half of one percentage point on an annualised basis, to 31.3 per cent. It estimates its effective tax rate for 1994 at 32.5 per cent.

The higher 1993 tax rate will reduce Coca-Cola's net income by about $55m. Moet of the charge against earnings is to be reflected in third-quarter results, scheduled for release on October 21.

Analysts had forecast 1993 earnings per share at $1.70 to $1.71, or about 18 per cent higher than last year's $1.43. The higher tax rate would reduce earnings to about $1.66.

Mr Terry Bivens, who follows the company for Argus Research of New York, said that the impact of the tax changes was in line with expectations.

Last week, PepsiCo announced that the new federal tax legislation would reduce its 1993 earnings by about 5 cents a share.

Coca-Cola also said that it expected its worldwide unit-case sales in the third quarter to grow by between 4 per cent and 5 per cent over the year-earlier period, down from the 6 per cent growth attained in the second quarter of 1993.

Third-quarter growth in US unit-case sales, perhaps the best indicator of strength at the retail level, was estimated at between 5 per cent and 6 per cent.

On Wall Street, Coca-Cola was trading $⅝ lower at $43⅝ in early trading.

Federal Express advances

By Our New York Staff

FEDERAL Express, the biggest overnight delivery company in the US, cut the operating losses in its international operation by $24m, to $33.2m, in the three months to the end of August, helping to boost net income threefold compared with a depressed period the year before.

After-tax earnings for the first quarter of the company's financial year were $32.9m, up from $10.1m a year ago before the effect of accounting changes.

Mr Frederick Smith, chairman, said the results were encouraging, but warned: "Because last year's first quarter results were disappointing, the year-on-year comparison for the rest of this fiscal year may not be as dramatic as the first quarter."

Future earnings growth will depend on further revenue gains in the international priority sector, which were up 17 per cent in the first quarter, and the company's ability to cut costs to match declines on US yield, he added. In the first quarter, the yield fell less than 1 per cent, compared with a 10 per cent drop a year before.

NEWS DIGEST

Zuckerman named IBM treasurer

MR Frederick Zuckerman, currently treasurer of food and tobacco group RJR Nabisco, was yesterday named treasurer of International Business Machines, the troubled computer company. Mr Lou Gerstner, IBM's new chairman, previously headed RJR Nabisco.

Mr Zuckerman, whn is 59 and worked at IBM in the 1960s and 1970s, replaces Mr Robert Ripp, who is retiring. RJR Nabisco named Mr John Delucca, 50, as treasurer. He was most recently managing director and finance director of Hascoe Associates, a Connecticut-baeed private bolding company.

Amoco wins oil field agreement

AMOCO, the US oil group, has secured a preliminary agreement to develop the giant Priobskoye oil field in western Siberia, after a competitive bid with other western companies.

The field has reserves of as much as 5bn barrels and could at its peak produce 450,000 barrels a day, making it a field "of world class", Amoco said.

The break-up of the Soviet Union has provided one of the best opportunities for western oil companies to acquire substantial new oil reserves.

The agreement gives the US company exclusive rights to negotiate a full production-sharing agreement with the Russian government and the two Russian companies which will jointly develop the field.

Amoco said it was likely to take more than 20 years to bring the field up to full production. Its investment in the project will be "in the billions of dollars," it added.

Murdoch clears last NY Post hurdle

MR RUPERT Murdoch cleared the last remaining hurdle in his battle to buy the ailing New York Post newspaper when a federal bankruptcy court judge gave final approval for the purchase.

News Corporation, the media company headed by Mr Murdoch, said the sale should be completed by the end of September. News Corporation is paying more than $25m in cash for the Post and assuming its debt and liabilities.

Cott climbs 159%

COTT, a soft drinks maker and distributor, reported net profit of C$10.7m (US$8.7m) or 19 cents a share, in the July quarter, up 159 per cent from a year earlier. Sales rose 122 per cent to C$198m, with most of the gain in the US. First half profit was C$16.4m or 30 cents a share, up 165 per cent, on sales of C$327m, up 134 per cent.

Moody's lifts Time Warner rating

MOODY'S Investors Service, the credit rating agency, raised its dabt ratings on heavily indebted Time Warner. Some $12bn of borrowings are affected. Time Warner's senior debt rating goes from Ba2 to Ba1.

Moody's said the $2.5bn investment, completed yesterday, 0 by telephone group US West in Time Warner's entertainment business, together with anticipated cash flow and revenue growth in the consolidated Time Warner business, should result in a gradual improvement in the group'e highly leveraged financial structure.

NYSE firms' profits ahead 38%

STRONG markets belped securities firms belonging to the New York Stock Exchange to a 38 per cent increase in second-quarter profits to $1.57bn, the exchange reported.

Revenues rose to $17.95bn from $15.62bn. First-half profits totalled $3.08bn, up from $2.51bn in 1992, while revenues were $35.69bn, up from $32.1bn.

Rio Algon mine plan

RIO ALGON plans to develop a US$500m zinc-copper mine at Crandon, Wisconsin, in a joint venture with Exxon.

Issue from Hollinger

HOLLINGER, the North American newspaper group, is raising about US$100m with an issue of zero-coupon convertible securities through Merrill Lynch.

Transat advances

TRANSAT, Canada's biggest charter airline, had third quarter profit of C$1.8m or 21 cents a share, against C$250,000 or 2 cents a share. Revenues were up 62 per cent to C$141m.

■ *Reports by Martin Dickson and Richard Waters in New York and Robert Gibbens in Montreal*

Harcourt General spins off theatre unit

HARCOURT GENERAL, the US publishing, retailing and movie house business which used to be known as General Cinema, yesterday announced it was severing its ties with its origins by spinning off its theatre chain business in a distribution of stock to shareholders, writes Martin Dickson.

General Cinema, which began life as a movie house business and also owns a majority stake in department stores group Neiman Marcus, acquired Harcourt Brace, the publishing company, in a $1.4bn takeover in 1991.

Mr Richard Tarr, chief executive, said that "although the theatre business represents the historical foundation upon which our company has been built, it is today a relatively small component of Harcourt General and represented slightly less than 5 per cent of 1992 operating earnings."

investments

Citibank to buy out Hungarian venture minority

By Nicholas Denton in Budapest

CITIBANK Overseas Investment, part of the big US bank, is to take full ownership of its Hungarian joint venture by buying the 20 per cent held by the National Bank of Hungary, the central bank.

Terms of the deal were not disclosed. The joint venture, Citibank Budapest, was set up in 1985. It made Ft1.36bn ($14m) profit after tax in 1992 on a prime capital of Ft1.93bn.

Citibank Budapest has concentrated on operating with local subsidiaries of international companies and has helped create new capital markets, like that for commercial paper. It announced yesterday a Ft2bn commercial paper issue for Ciba Hungaria, part of the Swiss Ciba-Geigy group.

Recent national banking legislation called for the central bank to dispose of shareholdings in domestic banks. These stakes were built up at a time when the authorities were reluctant to allow foreign entities full ownership.

The central bank is soon expected to sell its 20 per stake in Unicbank, another joint venture bank. The buyer is expected to be Austria's Raffeisen group, which owns 72 per cent of the shares.

There is greater uncertainty surrounding the future of the the National Bank's 34 per cent stake in Central-European International Bank (CIB), in which it is partnered by five western banks. CIB, the first and largest of Hungary's joint venture banks, has special offshore status.

Its offshore classification exempts CIB from Hungarian reserve requirements and, rivals claim, gives it a competitive advantage. Hungary's finance ministry is pushing hard for the central bank to give up its stake and to relinquish CIB's offshore status.

Hungary's joint venture banks have succeeded in winning big customers from the large state-owned commercial banks, which have had to wrestle with provisions against loan losses. A recent World Bank report said that most of Hungary's commercial banks were "technically insolvent under international accounting standards".

Competition for top-tier clients in Hungary is increasing as western banks set up branches in Hungary. Crédit Lyonnais is due on Friday to inaugurate its Budapest office.

Jardine Matheson food arm 11% ahead

By Simon Davies in Hong Kong

DAIRY Farm International, the food retailing arm of Hong Kong's Jardine Matheson group, yesterday announced higher first-half profits and an increased dividend.

Net profits rose to US$66.2m for the six months ended June, an 11 per cent increase over the US$59.9m of 1992. The interim dividend is going up to US$1.55 a share from US$1.48.

Profits growth was primarily attributable to a halving of losses from Spanish retailer Simago and an improved performance from group operations in Taiwan, which have returned to profit.

Turnover increased by only 2 per cent to US$2.38bn, due to losses in translation from currency movements and the impact of the sale of the group's food manufacturing operations to a joint venture with Nestlé, the Swiss foods group.

Operating losses from Simago fell to US$8.3m from US$16.6m as Dairy Farm continued to cut staffing levels and close unprofitable shops. However, the performance was also aided by the weakness of the peseta. Simago was purchased for HK$983m (US$127m) in 1990 but is not expected to return to profit until 1995.

In Australasia, Franklins increased its market share but continued to suffer from the tough economic conditions and strong competition. In New Zealand, however, the group's two retail operations put in strong performances.

The Hong Kong retail operations are under pressure from staff and rental costs, but contributed a profit increase. The company says the colony offers limited scope for further expansion and it is now looking to Taiwan to provide growth for its Asian business.

Describing the six-month performance as satisfactory, it said full-year profits were expected to exceed 1992 levels. The ice-cream making joint venture with Nestlé in Hong Kong and China was making progress.

Saudi bank prepares to account for itself

NCB is publishing its first audited accounts for four years, reports **Richard Donkin**

NATIONAL Commercial Bank of Saudi Arabia, the Kingdom's biggest bank in asset terms, is preparing to publish its first set of audited accounts for four years.

Mr Michael Callen, former head of global finance at Citibank, was brought in four months ago by the Mahfouz family, majority shareholders of the bank, as senior adviser to the chairman Sheikh Mohammed bin Mahfouz. He is hopeful that the accounts will appear shortly.

Mr Callen has been given the job of restructuring management, improving operations and restoring the bank's image.

This has been tarnished by a fraud indictment in the US against Sheikh Kahlid bin Mahfouz, NCB's former chief operating officer, and a $10bn law suit launched by Touche Ross, liquidators of the Bank of Credit and Commerce International.

Just how damaging the legal actions have been is difficult to judge. "I don't know what our reputation is," said Mr Callen. "People don't tell you when you're the ugliest girl in the playground."

In spite of its problems, managers say that the audited accounts will confirm NCB's place as one of the biggest private commercial banks in the world.

More importantly, they will show NCB's capital:asset ratio to be within the tier one 4 per cent minimum set by the Basle guidelines.

The last three sets of accounts to be published - none has appeared since 1989 - were all qualified by the auditors. Since that time the bank's financial position has been something of a mystery, and its position was not eased by the suspension of its credit rating in June 1992 by the Cyprus-based Capital Intelligence, the only rating agency to list the bank.

Mr Omar Bajamal, deputy general manager, said the bank was determined that its next set of accounts would not be qualified. References to court actions are expected to appear in footnotes.

The closure of the bank's London office last year, enforced by the Bank of England, and the corresponding closure of the New York branch - together the branches had assets totalling some $2.5bn - had a significant impact on NCB's balance sheet.

Mr Bajamal maintained that the bank had improved its Saudi depositor base.

Total bank assets, said Mr Bajamal, had dipped below $20bn in 1992 but had recovered some lost ground in the first quarter of 1993.

The bank considered a public placing at one stage but decided that the risk was too great at a time when many Saudi companies were competing for capital. It is still an option, however, when the present difficulties have been overcome.

Mr Bajamal said that none of the bank's 230 branches would close as a result of the internal restructuring currently being carried out, but NCB would be shedding 1,500 jobs from its 7,400 workforce in the next few months.

He dismissed as wild speculation US reports that the bank's problem loans, many of them said to have been with the Saudi royal family, ran into tens of billions of dollars.

However, other sources suggest that NCB's problem loans amounted to about $2.5bn, almost a third of the bank's loan portfolio and several times its net worth. Many loans are understood to have been restructured.

The relationship with the Saudi royal family is one of the most sensitive issues within the bank. The very presence of the royal business means that it is difficult to appraise the bank's position using normal financial criteria.

"The idea that they [the royal family] would just stuff the NCB at the end of the day, given thet they own the country and are responsible to the depositors as a result, defies logic," said Mr Callen.

NCB's accounts will be emerging after a difficult period for many of Saudi Arabia's banks, following an end to the construction boom which did much to boost lending margins in the late 1980s.

NCB is the only Saudi bank in private hands. There has been some talk of the Saudi Arabian Monetary Agency, the central bank, taking a stake in NCB but this has been successfully resisted by the owners.

In the meantime Sheikh Kahlid bin Mahfouz and the bank are separately fighting various legal actions in the US and the UK. He has been indicted on fraud charges by Mr Robert Morgenthau, New York district attorney.

NCB, itself in dispute with the US Federal Reserve, has set aside $22m for possible penalties, although it is arguing against accusations that it violated filing regulations.

Study says Norwegian banks to double profits

By Karen Fossli in Oslo

NORWAY'S commercial banks, emerging from crisis, are set to more than double composite operating profits, after credit losses, to NKr3.6bn ($515m) next year. According to a central bank study, this will compare with forecast profits of NKr1.45bn for this year.

The study, which looks at the effects of lower interest rates on bank earnings, expects the banks to continue to recover. The sector made a composite NKr813m profit for the first six months of 1993.

Lower rates will also have a positive effect on banks' property portfolios, triggering a significant rise in value. The value of individual bank loans will increase because of improved possibilities for those loans to be serviced.

The study forecasts a rise in composite net interest income to NKr12.2bn in 1994, or 3.21 per cent of assets, from a forecast of NKr11.7bn, or 3.17 per cent of assets, for 1993. In the first six months of 1993, the banks achieved composite net interest income of NKr5.52bn, or 3.04 per cent of assets.

Banks are projected to cut losses on loans and guarantees in 1994 to NKr4.8bn from a forecast NKr6.9bn in 1993. At the half-way mark of this year credit losses were NKr3.3bn.

Monument secures £300m loan

By Tracy Corrigan

MONUMENT OIL and Gas, the UK oil exploration and production company, has agreed terms for a £300m ($462m), 10-year syndicated loan to finance the development of the Liverpool Bay oil and gas fields in the UK. Chase Investment Bank and Union Bank of Switzerland arranged the loan.

The estimated development cost is £270m. The additional amount will be used to refinance some pre-development costs and cover any overrun, said Ms Liz Airey, Monument's finance director. Ms Airey declined to comment on the margin over Libor which the company will pay before the loan is signed.

Ms Airey said that approval from each of the partners to proceed with the project is due by the end of the month, and Department of Trade and Industry approval is expected by the end of October.

NEWS DIGEST

Czech glass maker in first FRN launch

THE CZECH Republic's nascent domestic bond market took another step in its development yesterday with the launch of the first issue of floating rate notes (FRNs) by a corporate borrower, writes Antonia Sharpe.

Glavunion, the flat glass manufacturer which is 67 per cent owned by Glaverbel of Belgium, raised Kcs350m ($12m) through an offering of four-year FRNs. The notes carry a semi-annual conpon equivalent to 40 basis points over the Prague interbank offered rate, which currently stands at 12¾ per cent.

Glavunion, which last year became the first Czech company to issue medium-term bonds in the domestic market, will use the proceeds of the offering to finance its Kcs2.6bn investment programme.

The notes were placed with a range of Czech banks and other financial institutions, said an official at the lead manager, CSFB.

The next stage of the Czech capital market's development is likely to be at the short end, with the launch of commercial paper programmes, he added.

Glavunion is keen to promote the development of the local capital market, which it regards as an important future source of financing. However, for now the market is restricted to the better-known and better-capitalised Czech companies.

Bank sale favours retail investors

THE AUSTRALIAN federal government is to favour small investors when it sells off a further 19.9 per cent stake in Commonwealth Bank of Australia next month, writes Nikki Tait from Sydney.

Mr Ralph Willis, minister for finance, said the government plans to sell about 178m shares to investors, reducing the authorities' holding in the bank from 70 per cent to a minimum of 50.1 per cent.

The sale is expected to take place in October, soon after the bank's annual report is published. Up to 65 per cent of the issue will be availabla to retail investors, either existing shareholders or other members of the public. The balance will go to Australian and overseas institutions.

The price of the issue will be determined by a tender or "book-building" process, similar to that used in the recent share sale by the retail group Woolworths.

The issue is widely expected to raise upwards of A$1.5bn (US$982m).

Argentaria to sell further 25% stake

ARGENTARIA, Corporación Bancaria de España SA is to issue up to 25 per cent of its capital in the second stage of its privatisation, approved by the government last week.

The issue will represent about 31m shares. The first stage placing, which went ahead in May, saw 24.9 per cent of the company floated into the private sector, Reuter reports.

INTERNATIONAL CAPITAL MARKETS

UK and US inflation data prompt wave of selling

By Tracy Corrigan in London and Patrick Harverson in New York

INFLATIONARY fears, fanned by the latest data from the US and the UK, sparked a wave of selling in the world's bond markets, as investors worried that the bull market for bonds could be nearing an end.

Any further signs of a revival in inflationary pressures are likely to prompt more selling, since the bullish tone of recent months has been predicated on low inflation and falling real interest rates.

GOVERNMENT BONDS

■ UK GILT prices ended 1½ points lower, as poor inflation numbers and a weak US market combined to drag prices down.

"The market fell a point this morning on the UK inflation numbers and then the best part of a point this afternoon, when the US market showed renewed weakness," said one trader. "I think we are seeing a correction. Sooner or later the bull market in bonds will come to an end, and possibly a very nasty end, but all we've had so far is a couple of nasty inflation numbers from both sides of the Atlantic."

The 0.4 per cent rise in underlying inflation in August, to produce an annual rate of 3.1 per cent, up from 2.9 per cent in July, prompted concern that some analysts may have been too hasty in writing off inflationary pressures.

Dealers said that prices had been marked down, but there was no wholesale dumping of bonds. However, some signs of currency weakness prompted fears of further sales by foreign investors, particularly as the threat of a public sector wage freeze has prompted fears of a "winter of discontent" in the UK, dealers said.

Long gilt futures on Liffe, London's futures exchange, ended at 111¼, down 1⅝ points, with record volume of 124,000 contracts.

■ GERMANY and other hard-core European markets held up better. Bund futures fell 0.20 points, while cash prices ended only slightly lower, supported by a generous DM24.4bn injection of liquidity at the Bundesbank fixed-rate repo yesterday.

Dealers said the market was also supported by the strength of the D-Mark, which rallied against the dollar.

However, the market is not immune from the inflationary fears upsetting other sectors and dealers said that there was no large inflow of fresh funds from other markets.

"The big moment will be next week, when preliminary inflation numbers are released," said one trader. "We have heard a lot about inflation coming down and the market wants to see some evidence."

The Belgian bond market also held up well, ending little changed after the central bank cut its key central rate from 10⅞ per cent to 10 per cent. Dutch bond prices were slightly weaker in low volume.

■ EUROPE'S high-yielding bond markets in Spain and Italy suffered sharp reversals yesterday, amid the general nervousness.

Spanish government bonds fell nearly two points, as concern over wage negotiations fuelled inflationary fears. Italian bond prices fell less sharply, but still dropped nearly a point, with worries about the budget negotiations resurfacing.

■ FRENCH bonds dropped half a point, with the market divided over whether or not to hope for an interest rate cut today.

Some dealers said they felt Mr Jean-Claude Trichet was unlikely to opt for an interest rate cut on his first day as Bank of France governor. However, other traders said that the market was running out of patience in the wait for further cuts.

■ IN NEW YORK, continued heavy selling in the wake of Tuesday's worrying inflation news sent long yields back above 6 per cent yesterday morning.

By midday the benchmark 30-year government bond was down ⅞ at 102¼, yielding 6.038 per cent. At the short end of the market, the two-year note was 1/16 lower at 99⅞, to yield 3.908 per cent.

There was no new economic news to affect the market yesterday morning, but that did not stop investors from initiating further selling of longer-dated government securities as the sharp correction following the strong summer rally gathered pace.

Unlike earlier in the year, when buyers quickly reappeared after brief declines in the market, retail accounts were unwilling to step in and buy Treasuries yesterday following Tuesday's big losses.

Dealers said a lot of the money moving out of governments has been shifted into mortgage-backad securities, where big falls linked to heavy prepayments have made them attractive relative to bonds.

FT FIXED INTEREST INDICES

	Sep 15	Sep 14	Sep 13	Sep 10	Sep 9	Year ago	High *	Low *
Govt Secs (UK)	101.46	102.34	102.86	102.64	102.54	88.55	102.86	93.28
Fixed Interest	124.86	124.83	124.98	124.94	125.04	106.47	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 126.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 14	Sep 13	Sep 10	Sep 9	Sep 8
Gilt Edged Bargains	132.4	93.7	88.8	129.9	130.2
5-Day average	115.0	107.8	107.1	116.3	116.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.2069	+0.319	6.68	6.62	6.84
BELGIUM		9.000	03/03	112.2000	-0.560	7.18	7.18	7.10
CANADA *		7.500	12/03	103.7850	-0.245	6.97	6.65	6.96
DENMARK		8.000	05/08	107.7500	-0.600	6.97	6.78	6.82
FRANCE	BTAN	5.750	11/98	100.1373	-0.263	5.71	5.64	6.78
	OAT	6.750	10/03	104.0700	-0.355	6.19	6.14	6.30
GERMANY		6.500	07/03	102.0000	-0.805	6.22	6.13	6.34
ITALY		10.000	08/03	104.0650	-0.560	9.56†	9.70	10.06
JAPAN	No 110	4.800	06/99	105.7285	-0.002	3.60	3.56	3.77
	No 157	4.500	05/08	102.3964	-0.322	4.16	4.05	4.16
NETHERLANDS		7.000	02/03	106.8600	-0.280	6.04	6.01	6.22
SPAIN		10.900	08/03	110.0500	-1.500	9.29	9.03	9.49
UK GILTS		7.250	03/98	103-05	-13/32	6.44	6.26	6.28
		8.000	08/03	106-21	-1⅛	7.04	6.77	6.88
		9.000	10/08	114-29	-1⅜	7.25	7.14	7.32
US TREASURY *		5.750	08/03	102-07	-27/32	5.46	5.21	5.66
		6.250	08/23	102-21	-19/32	6.06	5.85	6.32
ECU (French Govt)		6.000	04/03	109.0700	-0.630	6.68	6.46	6.87

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Italy increases 30-year tranche of global issue to meet demand

By Antonia Sharpe in London and Haig Simonian in Milan

OVERWHELMING demand for long-dated paper enabled the Republic of Italy to increase its first global bond offering by $500m to $5.5bn yesterday.

As a result of this deal, which sets a record for a global bond offering, Goldman Sachs heads the Eurobond league table for the first time, according to IFR Securities Data, pushing Deutsche Bank, the long-time holder of this position, into second place.

Joint lead managers Goldman Sachs and Salomon Brothers said the decision to increase the 30-year tranche to $3.5bn from $3bn was taken to satisfy demand from US investors who were buying Italian government bonds for the first time. The 10-year tranche remained unchanged at $2bn.

Commenting on the bond issue, Mr Piero Barucci, Italy's treasury minister, said: "Issuing a 30-year global bond shows the Treasury has the confidence that investors fully appreciate the government's

INTERNATIONAL BONDS

work in improving public-sector finances and rigorously fighting inflation, two fundamental steps for Italy's economic recovery and for improving its long-term growth prospects."

He added that yesterday's issue was part of a strategy to renew Italy's presence in the international markets, extend the maturities of Italian public debt and confirm the intention to create a mix of domestic and international borrowings.

"The deal will also help to make Italian paper more liquid and contribute to the creation of new benchmarks for investors," Mr Barucci said.

Just over one-third of the bonds were placed with US investors, a larger proportion than expected. The remainder were sold to investors in Europe and east Asia.

The lead managers said strong demand enabled Italy to achieve the lowest end of the indicated price range.

The 30-year tranche will be priced to yield 80 basis points over the 7⅛ per cent US Treasury due 2023, and the 10-year to yield 62 basis points over the 5¾ per cent Treasury due 2003.

The success of the deal was mainly due to the shortage of 30-year paper in the US, brought about by the US Treasury's decision to issue fewer 30-year bonds. The pricing of Italy's offering was also widely perceived to be generous, which syndicate managers attributed to Italy's desire for a successful deal.

However, the lead managers said tha yield differential between the two tranches was narrower than that currently on the World Bank's 10-year and 30-year global bonds.

Elsewhere, weakness in the French government bond market and tight pricing hampered the launch of the European Investment Bank's FFr2bn offering of 11-year Eurobonds. The bonds were priced to yield just eight basis points above the French government's 8½ per cent OAT due 2004.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Republic of Italy(a)	3.5bn	(a)#	(a)R	Sep.2023	0.50R	+80 (7⅛%-23)	G. Sachs/ Salomon Bros.
Republic of Italy(a)	2bn	(a)#	(a)R	Sep.2003	0.35R	+62 (5¾%-03)	G. Sachs/ Salomon Bros.
SBAB‡	250	(b)	99.935R	Sep.1995	0.125R	-	Merrill Lynch Intl.
Citicorp‡	150	(c)	100R	Sep.2005	0.625R	-	Kidder Peabody Intl.
D-MARKS							
BLFA Finance	250	6.50	102.15	Oct.2008	3.00	-	DG Bank
Deutsche Centralbodenkredit(d)	100	6.50	100.80	Oct.1996	1.25	-	Trinkaus & Burkhardt
FRENCH FRANCS							
European Investment Bank	2bn	6.125	98.64R	Oct.2004	0.35R	+8 (8½%-04)	Banque Paribas
Soc. Gen. Acceptance(e)‡	300	(e)	99.40R	Dec.2003	0.50R	-	Société Générale
ECUS							
Banque Indosuez	100	6.25	99.92R	Oct.1998	0.30R	-	Daiwa Europe
SWISS FRANCS							
City of Copenhagen	100	4.625	102.875	Nov.2003	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 2-tranche global deal will be priced today. b) Short 1st coupon. Coupon pays 6-month Libor flat. c) Coupon pays 3-month Libor - 0.25%; minimum 5.5%, maximum 9%. d) Borrower may redeem each DM10,000 bond at maturity at face value or $6,329 (FX: 1.58DM/$). However, repayment will be in DM only if FX exceeds 1.72DM/$ for 2 consecutive days. e) Issue launched on 2/9/93 was increased to FFr800m. Coupon pays 7% (money market basis) in first 9 months and 15.5% - 1.75 x 3-month Pibor thereafter.

CME to relaunch derivatives in French francs

By Laurie Morse in Chicago

THE CHICAGO Mercantile Exchange plans to relaunch French franc futures and options contracts. Trading is due to restart on Monday.

The new contracts will represent FFr500,000 each. This is twice the size of the CME's last attempt to interest traders in French currency derivatives.

"With the French franc unravelling relative to the D-Mark, and volatility increasing rapidly, we've had a remarkable number of requests for the [franc] contract," said Mr David Lerman, director of the CME's currency product marketing.

The CME, which trades D-Mark, sterling, Swiss franc, yen and Canadian dollar contracts, last traded French franc futures in 1990. A lack of volume prompted the exchange to shelve the product. The Philadelphia Stock Exchange, which lists French franc options, is the only other US exchange that trades franc derivatives.

Mr Lerman said the CME plans to open trading in French franc "rolling spot" contracts, which approximate over-the-counter currency trades, in early 1994. It has no immediate plans to list the currency futures on Globex, the after-hours electronic trading system.

■ The CME and the New York Mercantile Exchange have finalised plans jointly to develop a standardised trade clearing system, first announced in May. The $19.35m project is expected to set a standard for other US futures exchanges.

Co-operation in clearing could lead the exchanges into other joint ventures, said CME chairman Mr Jack Sandner. He said the CME and Nymex, best known for its energy futures contracts, might re-enter negotiations on Globex.

JP Morgan sets up index on Latin American bonds

By Antonia Sharpe

J.P. MORGAN has set up the first index to track the performance of international bonds issued by Latin American corporate and sovereign borrowers.

Eurobond issuance by Latin American borrowers has grown rapidly since 1990, when Mexico led the way for them to access the international capital markets for the first time since the debt crisis of the 1980s.

According to J.P. Morgan, $10.9bn worth of Eurobonds were issued by Latin American borrowers in the first eight months of this year, compared with just $1.1bn in 1990.

Ms Jeanne Feldhusen, head of J.P. Morgan's emerging markets fixed-income research group, said the index had been set up in response to investor demand for a tool to analyse this rapidly-growing market on a more objective basis.

J.P. Morgan's Latin Eurobond index aims to provide investors with a benchmark which will allow them to compare risks and returns in this market with more established fixed-income markets around the world.

The index will track the liquid or traded market for fixed-rate, dollar-denominated Eurobonds issued by Latin American borrowers. It comprises 46 bonds with a total amount outstanding of $8.6bn, which represents about 35 per cent of the total face value.

The bonds are issued by borrowers located mainly in Argentina, Brazil, Mexico and Venezuela. Corporate issues make up 57 per cent of the index, with sovereign issues comprising the remaining 43 per cent.

The index tracks returns on Eurobond issues from the end of 1991. Since then, the index has had a return of 25.8 per cent, with corporate issues outperforming sovereign issues.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7.00 pm on September 15

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price. † Only one market maker supplied a price

STRAIGHT BONDS: [illegible] FLOATING RATE NOTES: [illegible] CONVERTIBLE BONDS: [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	75	2
Other Fixed Interest	0	3	12
Commercial, Industrial	144	486	790
Financial & Property	38	384	423
Oil & Gas	10	51	40
Plantations	3	1	4
Mines	54	30	51
Others	26	69	23
Totals	274	1,059	1,345

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	110	94	Anglian Water Wts	105	-3	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
17	Nil	29/9	1½pm	1pm	§Albrighton	1pm	
21	Nil	22/9	16pm	11pm	Aries	16pm	+2
§250	Nil	29/10	31pm	27pm	CRH	27pm	
400	Nil	01/10	66pm	54pm	Cadbury Schweppes	54pm	-8
90	Nil	12/10	8½pm	1pm	Crockfords	1pm	-1
125	Nil	22/9	30pm	20pm	Lilleshall	21pm	
225	Nil	26/10	57pm	51pm	Osprey	51pm	
130	Nil	25/10	19pm	8pm	Rolls Royce	11½pm	-2
19	Nil	12/10	3pm	¼pm	Usborne	¼pm	
65	Nil	13/10	17pm	7pm	Wickes	17pm	+2

pm Price at a premium. † Price offered to public. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Sept. 13
- Last Dealings Sept. 24
- Last Declarations Dec. 9
- For settlement Dec. 20

3-month call rate indications are shown in Saturday editions.

Calls: Aegis Grp., Comtech, Eurotunnel, Ferranti, McCarthy & Stone, Proteus, United Biscuits. Puts: Airtours, HTV. Put & Call: Shandwick.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	38½	48½	57½	7½	16½	22½
(*577)	600	11½	22	32	30	42½	48
Argyll	300	14½	22½	29	7½	15½	19
(*305)	330	3½	9½	16	28½	34½	37
ASDA	60	-	8	10	-	4½	6
(*62)	70	-	4	5½	-	11	12½
Brit Airways	345	21½	32½	-	9	19½	-
(*355)	360	13½	24	33½	16½	27½	32
Sold Schw A	390	32½	43	51	7½	18	23
(*408)	430	15½	28	36	22½	33½	37½
Boots	460	34	42½	52½	5½	13½	19
(*485)	500	9½	21	31	23½	33½	35½
BP	280	24½	30½	34½	3	7	10½
(*299)	300	11	18½	23½	8½	15½	19
British Steel	100	14	16½	21½	2½	8	7½
(*110)	110	6½	12	16½	6½	9½	13
Bass	480	31	39½	45½	6	21	27
[illegible]							
Unilever	1000	68	87	99½	8½	21	30
(*1048)	1050	30½	56	68	23	45	51½
Zeneca	700	32	54½	68½	15½	28½	45
(*724)	750	9	30	38½	48½	56½	73

Option		Calls Oct	Calls Feb	Calls May	Puts Oct	Puts Feb	Puts May
Grand Met	390	35½	44½	49½	4	13½	19
(*416)	420	14½	26½	32½	14	27	31
Ladbroke	180	17	23½	25½	8	11	16
(*193)	200	8	13½	18	18½	22	27½
Utd Biscuits	360	14½	27½	31	16½	24½	33½
(*361)	390	4	15	18½	38½	44	52½

Option		Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
Fisons	160	14	17½	23½	4½	9½	13½
(*166)	180	4	8	14½	18	21½	25½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero	380	30½	48½	56	26	38	48½
(*389)	420	19	35	43	44½	57	64
[illegible]							
Abbey Natl	[illegible]						
(*398)	420	1	11	20½	23½	20	36½
Amstrad	40	½	5	8½	1	4	5½
(*40)	45	1	3	4½	9	7½	8½
Barclays	500	5½	29½	41	2	18	29
(*503)	550	1	9	18	49	51½	58½
Blue Circle	260	22	28½	36½	1	9	14
(*278)	280	1½	16½	25½	3½	17	23½
British Gas	300	24½	28	33	1	6½	9½
(*323)	330	1	9	17	7½	16	24
Dixons	220	14	26	32½	1	0	14½
(*233)	240	1	13	21½	8½	19	24

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel	460	30	48	-	1	24½	-
(*480)	500	1½	36	-	20	45	-
[illegible]							

EURO FT-SE INDEX / FT-SE INDEX: CALLS [illegible]

PUTS								
Sep	½	½	½	4	20	64	114	164
Oct	4	6	18	27½	49	98½	124	174
Nov	11½	18	20	44	68	93½	130	174
Dec	20	28½	41	57½	77	100	186	177
Jun †	60½	-	91½	-	131	-	184	-

September 15 Total Contracts 56,946
Calls 32,295 Puts 24,651
FT-SE Index Calls 9,344 Puts 14,264
Euro FT-SE Calls 1,633 Puts 1,911
*Underlying security price. † Long dated expiry mths.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Sep 15	Day's change %	Tue Sep 14	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.67	-0.24	128.99	2.19	7.91
2	5-15 years (23)	154.05	-1.03	155.66	1.64	9.82
3	Over 15 years (9)	173.01	-1.41	175.49	0.70	9.70
4	Irredeemables (6)	204.73	-1.18	207.19	2.82	8.83
5	All stocks (62)	149.88	-0.88	151.30	1.69	9.23
	Index-Linked					
6	Up to 5 years (2)	187.30	-0.09	187.47	0.67	3.41
7	Over 5 years (11)	183.13	-0.70	184.41	0.57	3.89
9	All stocks (13)	182.67	-0.63	183.83	0.57	3.83
9	Debs & Loans (65)	142.64	-1.14	144.28	2.29	7.96

AVERAGE GROSS REDEMPTION YIELDS

			Wed Sep 15	Tue Sep 14	Year ago (approx.)
	British Government				
1	Low	5 years	6.37	6.27	9.77
2	Coupons	15 years	7.23	7.07	8.82
3	(0%-7¾%)	20 years	7.31	7.17	8.82
4	Medium	5 years	6.65	6.50	9.77
5	Coupons	15 years	7.35	7.19	9.05
6	(8%-10¾%)	20 years	7.39	7.25	8.96
7	High	5 years	6.94	6.71	10.03
8	Coupons	15 years	7.57	7.42	9.31
9	(11%-)	20 years	7.58	7.43	9.19
10	Irredeemables(Flat Yield)		7.41	7.31	9.08
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.58	2.54	5.06
12	Inflation rate 5%	Over 5 yrs.	3.21	3.19	4.76
13	Inflation rate 10%	Up to 5 yrs.	1.72	1.79	4.23
14	Inflation rate 10%	Over 5 yrs.	3.02	2.99	4.56
15	Debs &	5 years	7.99	7.76	11.20
16	Loans	15 years	8.22	8.08	10.43
17		25 years	8.33	8.21	10.31

Lasmo warns about low price of oil

By Robert Corzine

LASMO, the independent exploration and production company, yesterday reported net profits of £20m for the first half of 1993, but warned that low oil prices were threatening profitability despite the prospect of steadily rising production.

The interim performance compares with a net loss of £248m in the same period last year after a loss of £291m on the sale of businesses.

Mr Joe Darby, chief executive, said the company intended to maintain its present exploration and development programme. He acknowledged, however, that the company's business plan may have to be modified if oil prices lingered at or below the $16 e barrel level until early next year. He said any such changes would probably involve winding down exploration expenditure for 1995 and thereafter.

Earnings per share of 2.2p compared with previous losses of 33.5p. The company is paying a 1.3p (2.3p) interim dividend. The board will recommend a final of 2p (1p) barring unforeseen circumstances. A scrip alternative will be offered to shareholders.

The results were generally in line with market expectations and Lasmo shares closed up 5¼p at 133½.

Mr Darby confirmed that the company had received offers for its interest in the Markham field in the North Sea, with analysts suggesting the company could raise as much as £100m from a sale. He said additional sales of peripheral interests could be made in future, although the scale of any sell-offs would be smaller.

Asset sales combined with planned shutdowns at some fields resulted in lower production, which fell to 143,100 barrels of oil equivalent compared with 158,100 b/d in the first half of 1992. Turnover was $309m (£297m), with some gain recorded from higher sterling prices for oil.

Mr Darby conceded that current low oil prices and e depressed share price made the company vulnerable to a possible takeover.

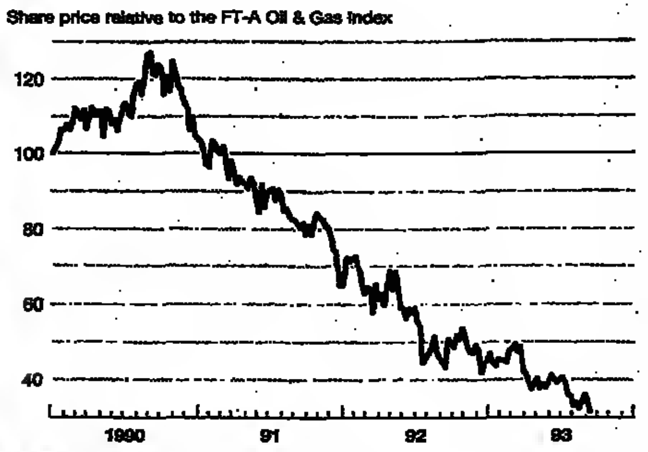
"When the oil price is gloomy everybody is nervous," he said. "We are not doing anything to reduce that vulnerability ... but I'm not sure there is anybody out there without problems of their own."

He said the company would focus on increasing production to 220,000 b/d by 1996, a 40 per cent increase over present levels. A key element of that would be the integrated development of the Liverpool Bay field, which will supply gas to PowerGen nnder a contract which is not linked to the oil price.

Joe Darby: exploration programme will be maintained

Lasmo

Share price relative to the FT-A Oil & Gas Index



Source: FT Graphite

Lasmo expects to have medium-term finance in place in the near future to fund its participation in the field. A decision on whether to go ahead with the project will be taken by the end of the year, with first production in 1995.

The development programme would keep balance sheet gearing, now at 70 per cent, steady this year before rising to 80-90 per cent in 1995, after which the company expects it to fall significantly.

Gearing hit 111 per cent at the end of last year but fell after the company raised $600m in the US early this year. Net debt fell to £781m at the half-year from £1.08bn at year end.

Another strand of Lasmo's strategy is to cut costs. Cost of sales, including operating costs, depletion charges and production taxes, is expected to be close to $9 a barrel in 1993.

Costs, which Mr Darby said have been too high, are likely to fall as Lasmo's activities change. New developments, such as Liverpool Bay, involve lower costs than many of its existing assets.

Administrative costs have been cut by 20 per cent, with another 20 per cent cut envisaged in 1994.

See Lex

BRITISH AEROSPACE INTERIM RESULTS

Rover set to make profit after two years of losses

By Kevin Done, Motor Industry Correspondent

ROVER Group, the motor vehicles subsidiary of British Aerospace, would be in profit for the full year in 1993 after two years of losses, Mr George Simpson, Rover chairman and BAe deputy chief executive said yesterday.

In the first six months, Rover cut operating loss before interest from £31m to £19m.

The loss included redundancy and restructuring costs of £22m. Excluding the one-off rationalisation charge, Rover's trading performance in the first half improved by £34m and resulted in a small profit of £3m.

Rover expected "a significant recovery" in its financial performance in the second half of the year, said Mr Simpson.

Production, which fell by 6.4 per cent to 200,872 in the first half under the impact of significant stock reductions, was expected to rise in the second half of the year.

At the same time, the benefits from last year's devaluation of sterling, which were delayed by currency hedging arrangements, would be fully reflected in the second half.

The UK car maker's first half performance was impaired by launch costs of around £10m for the new Rover 600 executive car, which was introduced in April. In the second half, Rover would benefit from strong UK sales in August, when its registrations grew by 23.7 per cent in an overall market, which rose by 17.8 per cent.

Rover turnover rose by 20.1 per cent in the first half to £1.98bn (£1.65bn).

The group has increased its market share in the UK in the first eight months of the year to 13 per cent from 12.3 per cent in the corresponding period last year, and profitability is being helped by an improving "model mix" with an increasing proportion of sales coming from its larger Rover cars and four-wheel drive Land Rover vehicles.

Rover is also performing strongly in continental European markets, albeit from a small base, despite the steep decline in overall European new car sales.

In the first six months, Rover and Land Rover worldwide vehicle sales increased by 13 per cent to 202,100. UK sales rose by 14 per cent to 119,700, while sales in continental Europe rose by 6 per cent to 65,500. Total sales outside the UK gained 12 per cent to 82,400.

Rover eliminated 1,740 UK jobs in the period with a reduction in the workforce to 31,398 at the end of June. The UK workforce has been cut sharply from 40,500 at the end of 1990.

Land Rover however, added 300 jobs during the summer in order to increase output of its successful Discovery range, and Mr Simpson ruled out further job cuts in the second half of the year.

Talks with GEC on naval link

By David White, Defence Correspondent

BRITISH AEROSPACE is holding discussions with the UK's General Electric Company to pool the two companies' efforts on future naval programmes.

The talks are aimed in the first instance at collaborative arrangements for e new generation of air-defence frigates, which Britain currently plans to develop jointly with France and Italy. A further stage would involve seeking the prime contractorship for an updated version of the Royal Navy's Trafalgar class nuclear-powered attack submarine.

The UK share of the £4bn frigate project is expected to be worth about £2.4bn. Under present plans, partner countries would share development but each would build its own ships.

The UK side would not involve a single prime contractor but separate contracts for the hull, weapon systems and electronic command system. BAe and GEC are understood to envisage bidding jointly for all three.

However, Mr John Weston, chairman and managing director of BAe's defence division, said an overall merger of the two groups' naval businesses was not under discussion.

BAe, which makes naval weapons and has a 50 per cent interest in the BAeSema systems company, has ambitions to expand its naval business, both to broaden its coverage of the defence sector and to break into new markets, especially in the Far East, reducing its dependence on arms sales to Saudi Arabia.

Exploratory talks on wider defence links with GEC were suspended in July after press reports suggesting a merger was on the cards. One senior BAe executive said talks could not be continued "in the full glare of publicity".

BAe is meanwhile pursuing negotiations with Matra of France on pooling missile interests in a joint venture with combined annual sales of more than £1bn. GEC is among other European companies seen as potential future partners in the venture. Mr Weston said yesterday there was "definite interest among other manufacturers to join us."

Defence continued to be BAe's only significant source of profits in the first half of this year, offsetting losses in other sectors. Defence profits before interest and tax dropped to £230m (£264m), on sales reduced to £1.93bn (£2.02bn). However, the completion of deliveries of Hawk trainers to South Korea helped to limit the redaction that had been anticipated.

Savoy loss unchanged at £1.75m

SAVOY HOTEL announced an unchanged first half pre-tax loss of £1.75m and said it had not benefited from the improvement in the economy or from last September's devaluation of sterling, writes Michael Skapinker

The loss for the six months to June 30 was on turnover up 3 per cent to £37.8m. The group, whose hotels include the Savoy, the Connaught and Claridge's, said its operating costs rose 3.5 per cent to £36m, largely due to an increase in sales and marketing expenditure.

Mr Giles Shepard, managing director, said: "Despite certain espects of the economy improving, snch improvements as there were did not benefit the company, nor were the effects of last September's develuation of sterling reflected in an increasing number of foreign visitors to our hotels and restaurants."

The group's pre-tax loss was limited by an increase in investment income from £68,000 to £587,000. This inclnded a £555,000 profit on the sale of the Savoy Theatre's investment portfolio. At the trading level, the loes increased to £1.6m £1.15m.

Losses were 4p (3.5p) per A share and 2p (1.7p) per B share.

Argus Press

Morgan Grenfell, adviser to Argus Press, has clarified that the group is negotiating to sell the assets and businesses of only Its newspaper division to Trinity International. Other parts of the Argus business are not involved.

Tiphook board to take big pay cut

By Peggy Hollinger

DIRECTORS of Tiphook, the lossmaking container rental company, yesterday told a highly critical annual meeting that they intended to take pay cuts of between 25 and 30 per cent this year.

The statement came in response to persistent questions over directors' pay and contracts, accounting policies and the performance of the heavily-indebted company's shares, which have fallen from 380p at the beginning of April to last night's 249p.

One private shareholder asked why, when "most shareholders have lost a substantial amount of money on their shares, the directors felt it appropriate for them to take a large increase in salary?"

His question was greeted with an enthusiastic "hear, hear" from the 45-strong gathering in London's Royal Automobile Club in Pall Mall.

A second shareholder drew attention to the difference in remuneration of £4m, including pension payments, for the five executive directors and less than £100,000 for the four non-executives.

Tiphook has come under fire recently following revelations that directors received pay increases in a year when it plunged into net losses of £66.5m, against a retained profit of £31.7m in 1992. Mr Robert Montague, chairman, received a pay rise from £842,000 to £951,000.

Mr Montague said the pay issue was being dealt with. "We do not want to put ourselves in the position where shareholders were dissatisfied with the company," he said.

Mr Rupert Hambro, head of the remuneration committee and recently appointed deputy chairman, said salaries would be between 25 and 30 per cent lower in the current year. It is also believed the committee is proposing directors' contracts of just one year.

Mr Montague was clearly exasperated with shareholders' persistence on the subject, however, and abruptly asked them to "leave it and get on" with the meeting.

Shareholders were also concerned over accounting changes. Tiphook has previously blamed factors associated with the move to dollar reporting for the exceptional charges of £77.3m, resulting in pre-tax losses of £21.8m. Mr Montague said the change was due to the strong increase in US shareholders. About 60 per cent of the group is held in the US.

The critical atmosphere eased somewhat when the chairman, asked to offer his vision for Tiphook's future, visibly relaxed for the first time in the 90 minute meeting.

Tiphook, the world's number two in container rental, was well placed to grow in a market estimated to double by the end of the century, he said.

Select Industries heads for USM with £13m price tag

By Peter Pearse

SELECT Industries is seeking to have all of its issued fully paid ordinary shares introduced to the USM.

The introduction of the 84.4m such shares at about 8p will value Select at about £12.5m. This includes the group's partly paid shares.

Select's main operating subsidiary, AirBoss Ground Engagement, makes a puncture-proof wheel and tyre system for use in the construction equipment market.

It has exclusive rights to distribute in Europe, Israel, Turkey and former Warsaw Pact countries, including Russia.

Mr Edward Vandyk, Select'e chief executive, eeld the group's shares had been traded under Rule 535 (2) on a matched bargain basis since mid-1991. In early 1992 various institutions had underwritten a £5.3m rights issue and the group had pledged a move to a more senior market when it was practicable.

A full listing, at any rate only possible after three years' trading, is planned for January 31 1995. This is when the 143m partly paid shares the group has issued will become fully paid. These shares of 7.5p are paid as to 2.5p.

The 5p balance is payable in two equal parts on January 31 1994 and January 31 1995. The payments on the partly paid shares – about £7.1m – will finance the development and marketing of the range of Air-Boss wheel sizes.

Turnover in the first half of 1993 was £311,000, up 45 per cent on the corresponding period.

Polly Pocket and Mighty Max lift Bluebird Toys

By Catherine Milton

A NEAR doubling of foreign sales helped Bluebird Toys lift pre-tax profits from £234,000 to £1.59m in the six months to June 30.

The strong performance abroad reflected the ongoing success of its "Polly Pocket" range of miniature dolls, now in its fourth year, and the successful launch of "Mighty Max" which has been very well received in all markets, said Mr Torquil Norman, Bluebird's chairman.

The depreciation of sterling against the US and Hong Kong dollars also contributed to the increase. Conditions in the home markets remained subdued.

"We have made an excellent start to the year and we look forward to continued growth in the second half as well as a good result for 1993 as a whole," he said.

Mr Norman said the higher volume of overseas sales would change the seasonal distribution of profits, tending to reduce the traditional bias towards the second half.

Turnover rose to £23.7m (£17.4m) with overseas sales increasing to £15.6m (£8.68m). The company said a broader spectrum of international markets gave it e measure of stability while consulting distributors on design had helped secure orders.

Inventories are down to £4.97m (£6.91m) Bluebird expects to exceed last year's £6.39m cash balance et December 31. Net interest charges fell to £591,000 (£962,000).

The company does not pay an interim dividend and earnings per share climbed to 14.7p (4.2p).

Alliance to curb propeller loss

By Paul Betts, Aerospace Correspondent

BRITISH Aerospace is stepping up its efforts to negotiate an alliance with other European aerospace companies to rationalise its lossmaking turbo propeller activities.

"Our turbo propeller sector is where the real problem lies in our commercial aircraft operations," said yesterday Mr Dick Evans, BAe's chief executive.

These operations, which include production of the Jetstream commuter aircraft and the Advanced Turbo Prop (ATP) airliner, lost £60m in the first half of this year and are likely to incur a similar amount in the second half.

After negotiating a partnership with Taiwan Aerospace for its lossmaking BAe 146 regional jet business, BAe is now concentrating increasingly in forging a similar partnership for the turbo propeller business which has been regrouped at the company's facility at Prestwick in Scotland.

BAe appears to be leaning towards a partnership with the French Aerospatiale group, Alenia of Italy and Casa of Spain.

Such a partnership would also be open to Deutsche Aerospace and Fokker, the Dutch manufacturer which has recently come under the control of Deutsche Aerospace.

However, it seems difficult to see at this stage the German company and Fokker teaming up with the BAe proposal.

This could ultimately lead to a rationalisation of the European turbo propeller aircraft industry around two groups: one inclnding BAe, Aerospatiale, Alenia and Casa and a so-called North European group including Deutsche Aerospace, Fokker and Saab of Sweden.

Overall, BAe's commercial aircraft activities made a loss before interest of £81m in the first half year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BAe	int	3.3	Nov 30	3	-	7
Bowthorpe	int	1.88	Dec 13	1.79	-	6.36
BZW Convertible	fin	3.3	Oct 21	3.3	7.8	7.8
CALA	fin	1.55	Oct 29	1.15	2.3	2.3
Calor	int	6	Dec 31	6	-	12
Eng China Clays	int	6.6†	Dec 10	6.6	-	20
Everest Foods	fin	2.5*	Nov 23	2.4	3.7	3.5
FBD Holdings	int	2.3‡	Oct 22	2	-	4.5
For & Col High	fin	1.42	Oct 21	1.32	2.62	2.52
Gent (SR)	fin	1.35	-	1.25	2.1	2
Inishtech	int	2.5‡	Feb 28	-	-	6.05
Lambert Howarth	int	4.5	Oct 31	4.25	-	13
Lasmo	int	1.3	Nov 23	2.3	-	3.3
Matthews (B)	int	1.1	Oct 22	1	-	2.25
OIS Intl	int	0.7	Oct 15	-	-	-
Record Holdings	int	1.15	Nov 30	1.15	-	3.6
Roskel	int	1.3	Nov 30	1.3	-	4.3
Taylor Nelson	int	0.13†	Jan 5	0.1	-	0.3
Try Group	int	0.5	Oct 29	0.5	-	1
Waterford Foods	int	1.19‡	Nov 5	1.15	-	2.73

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence.

Improving trend at Storehouse

By Neil Buckley

MR KEITH Edelman, new chief executive of the Storehouse retailing group, said yesterday that sales were ahead of last year.

He also announced that the group was setting asida an extra £6m to cover the cost of business disposals.

The £6m provision is thought to relate to loan notes connected with the sale of Mothercare Stores, the US arm of Mothercare, in 1991. It will be taken as an exceptional charge against current-year profits.

Mr Edelman, who succeeded Mr David Dworkin as chief executive, said sales at BhS, Mothercare and Blazer were all ahead of last year in spite of "intensely competitive trading conditions". Trading in the "back-to-school" period had been encouraging.

He added that Storehouse was still in line for the "significant improvement" in trading profits for the full year, which Mr Ian Hay Davison, chairman, forecast at the annual meeting in July.

Sales at BhS were up 5 per cent, with increases spread evenly across all divisions. Mr Edelman added that operating profits were also on target.

He said margins had been maintained and cost increases had been rigorously controlled.

Sales at Mothercare were up 4 per cent, but Mr Edelman said margins had been squeezed by cutting some prices, especially in children's clothing.

Some of the lost margin is expected to be recovered by improvements in the supply chain over the full year.

At Blazer, the npmarket mans' wear chain, sales were said to be ahead of last year and in line with budget.

Germans to take 26.5% stake in Jones & Shipman

By Andrew Baxter in Hanover

KORBER, a secretive German group best known for its Hauni cigarette mannfacturing machinery, is to take e 26.5 per cent stake in Jones & Shipman, the lossmaking maker of grinding and honing machines.

The deal, along with a placing and open offer of new shares, will raise £2.96m for J&S, and is crucial to the survival of one of the most famous names in the UK machine tool industry.

J&S said shareholders should be aware that if its proposals were not implemented "the group may have insufficient working capital facilities to continue trading".

The transaction with Körber, under discussion for the past 18 months, opens the way for Leicester-based J&S to announce its delayed results for the year ended March 31.

The company reported a reduced pre-tax loss of £1.54m (£7.35m) on turnover down from £15.9m to £13.4m for the year. Losses per share were cut to 12.7p (56.1p). No dividend is recommended.

The share stake is intended to cement a co-operation agreement between J&S and Körber's two grinding machine companiae, Blohm and Schaudt.

Mr John Wareing, Jones & Shipman's managing director, said the deal would help J&S develop its business. Its new German partners will sell J&S machines in Germany, where the UK company's presence has always been weak.

J&S in turn will sell Blohm machines in the UK, hut not Schaudt machines for contractual reasons.

The £1.63m from Körber is to be raised through the subscription by the German group for 6.81m new shares at 24p each, a further £1.61m is to be raised through the placing by Close Brothers of 6.7m new shares at the same price.

The deal will allow J&S to complete its restructuring programme, which is based on contracting out most of its machining work.

PUBLIC WORKS LOAN BOARD RATES

Effective September 14

Years	Quota loans* EPT†	Quota loans* Att††	Quota loans* maturity§
1			5¾
Over 1 up to 2	5¾	5⅞	6⅛
Over 2 up to 3	6	6	6⅜
Over 3 up to 4	6⅛	6¼	6½
Over 4 up to 5	6¼	6¼	6¾
Over 5 up to 6	6⅜	6⅜	7
Over 6 up to 7	6½	6½	7⅛
Over 7 up to 8	6⅝	6⅝	7¼
Over 8 up to 9	6¾	6⅞	7½
Over 9 up to 10	6⅞	6⅞	7⅝
Over 10 up to 15	7¼	7½	7⅝
Over 15 up to 25	7¾	7⅝	7⅞
Over 25	7⅞	7⅞	7⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

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Taking account of flotation pro forma figures show a rise of 32% at mid-way

Devro at £3.78m and sees progress

By James Buxton, Scottish Correspondent

DEVRO International, the maker of sausage casings made from the edible protein collagen which came to the market in June, reported lower pre-tax profits of £3.78m for the first half of 1993, against £5.89m.

However pro forma figures, calculated assuming the post flotation capital structure had been in place during both periods showed pre-tax profits of £12.1m, a 32 per cent improvement on the £9.1m of the comparable period.

Reported interest payments were £3.78m (£4.53m) but fell to £470,000 (£1.28m) in the pro forma figures.

The results for the Glasgow-based company showed sales growth of 18 per cent to £46.3m (£39.2m). The sales growth was roughly in line with the unaudited trading performance of 19.8 per cent for the first five months stated in the flotation prospectus.

The pre-tax profit figures and trading margins impressed the market and the shares closed up 6p at 232p.

Devro, which manufactures in the US and Australia as well as at its base, was bought out of Johnson & Johnson, the US multinational by its management for £106m in 1991. The flotation at 170p valued the company at £224m.

Mr Leon Allen, chairman, said trading had been strong despite the continuing effects of recession in many markets. "The group is in a strong financial position, enabling us to continue to pursue our strategy of expanding Devro's share of the collagen market."

Mr Graeme Alexander, who has succeeded Mr Frank de Angeli as chief executive, said that sales volumes in the period were up 7 per cent, with sausage casings increasing by about 6 per cent. Tha UK showed a sales rise of 6 per cent.

The company's new range of collagen film products, used in continental Europe for wrapping smoked hams, rose by 90 per cent, though turnover is only about £2m.

The rest of the profits increase was due to an 8 per cent foreign exchange gain, mainly in North America and Japan, and a 3 per cent increase in the price mix.

Profit margins rose from 26 to 27 per cent thanks, Mr Alexander said, to controlling costs and gains in productivity. Research and development spending was between £3m and £3.5m on in the six month period.

Devro expected its underlying tax rate for the period to be about 20 per cent. This could rise progressively to 33 per cent in future years.

For the second half sales had started well and the company expected to report further progress for the full year.

Reported earnings per share were 2.8p (3.4p). The pro forma figures were 6.4p (4.8p), a rise of 33 per cent.

Taylor Nelson AGB expands 57% to £1.55m

By David Blackwell

TAYLOR NELSON AGB, the largest market research group in the UK, lifted pre-tax profits by 57 per cent to £1.55m for the first half of 1993, compared with £988,000.

The group became market leader following Taylor Nelson's £14.5m acquisition of AGB Research, part of the collapsed Maxwell private empire, in March last year.

Mr Tony Cowling, chief executive, said the full benefits of the merger were still ahead. Further cost reductions of £400,000 are expected in the second half.

Turnover for the six months rose from £20.5m to £25.8m.

The pre-tax figure included a £526,000 share of losses from associates while last time pre-tax profits included a £450,000 provision for property rentals – a problem that has now disappeared.

The associates deficit was a one-off charge reflecting the start-up losses of the group's joint venture with Information Resources of the US and GfK of Germany. Known as InfoScan NMRA, the venture will supply market information to big grocery manufacturers.

The company, which has about 17 per cent of the UK market shared by the top 30 companies, is about the sixth largest in Europe, according to Mr Cowling.

Mr Cowling said that markets holding up well included the retail sector, where tough trading conditions increased the demand for research, the food and drink sector, and healthcare.

Generally speaking market research was moving away from the ad hoc questioning of the past to rolling programmes of research. The company's strategy would be to build branded services to sell to growing markets.

Mr Cowling cited as an example Optima, which helps clients to assess the potential for new products. This computer-based product had already doubled 1992 sales to both Europe and the UK.

The company was also seeking new ways of disseminating its information. Next month it will open a publications division to issue reports based on data already gathered.

With no debt and cash in hand of £7.17m, the company was on the look out for acquisitions. In May this year it paid £150,000 for Passmore Marketing Services, a telephone marketing company which would enable the group to make better use of its telephone system.

Earnings per share rose to 0.47p compared with 0.28p. The interim dividend is 0.13p (0.1p).

Everest Foods falls to £2.09m

By Catherine Milton

PATCHY demand for frozen chips and a fire at one of its sites reduced pre-tax profits at Everest Foods from £3.31m to £2.09m in the year to May 31.

However directors, optimistic about a new line of frozen jacket potatoes, recommended a modest increase in the final dividend to 2.5p (2.4p) for a total of 3.7p (3.5p). Earnings per share were almost halved to 5.5p (10.06p).

"There is now a trend of increasing turnover in all our divisions on existing products and we view the prospects for our new potato products as very encouraging," said Mr Bob Gilbert, chairman.

He added that the first half had been hit by disruption due to the implementation of the capital expenditure programme and pressure on selling prices. In the second half demand deteriorated and, coupled with the fire at Wombourne in April, further affected the performance.

Turnover fell to £31.9m (£33.8m). A breakdown of operating profits showed the frozen chips and related potato products division at £1.9m (£3.03m), egg production £309,000 (£386,000) and specialist food distribution £175,000 (£292,000).

The company said trading in frozen foods had seen satisfactory volumes, but that "demand for the core frozen chip products became patchy in the second half".

Egg production had been reorganised but prices were still below the industry's average production costs.

The specialist foods distribution division was exposed to the recession. However, Mr Gilbert said: "A new management team has been installed during the second part of the year, with the express brief to increase future profitability."

Higher margins boost SR Gent

By Nigel Clark

THE CONCENTRATION on higher margin products helped SR Gent, the Barnsley-based Marks and Spencer garment supplier, report pre-tax profits of £2.52m for the year to June 30, a rise of 10 per cent on the comparable £2.29m.

Turnover fell 6 per cent from £128m, including £2.66m from discontinued activities, to £120.5m with £4.45m from acquisitions. The fall for continuing activities was 5 per cent.

Mr Peter Wolff, chairman, said the sales fall was the result of the rationalisation of certain ranges. He added that overseas production of specialised garments had risen over the year to 40 per cent of sales by the period end.

During the year the retail division became fully owned and was relaunched under the Susan Woolf name. Mr Wolff said the financial impact was reflected in the figures but would ease as additional stores came on stream.

The pre-tax figure was struck after share of losses of related companies of £430,000 (£66,000) and net interest charges which fell from £2.71m to £1.93m.

Earnings per share came out higher at 3.2p, against 2.4p and the proposed final dividend is being raised to 1.35p making an increased total for the year of 2.1p, compared with 2p.

The shares dipped 6p to 62p in a falling market.

Oliver Group cuts loss to £2.24m

OLIVER Group, the footwear retailer, made progress in cutting its losses in the first half of 1993 with a fall from £4.87m to £2.24m pre-tax.

Turnover fell 11.5 per cent to £33.2m (£37.5m) the result of branch closures. During the period 34 were closed with a further 16 poor performing branches earmarked for the second half.

The pre-tax figure was helped by cost cutting and a lower interest charge of £567,000 (£1.26m).

The company has announced the intended closure of Brick Studio, the remaining non-footwear activity. Completion is scheduled for the fourth quarter of this year.

Losses per share came out at 8.86p (19.28p).

Roskel slides to £528,000 at interim

By Garry Rimmer

BOTH TURNOVER and pre-tax profits were lower at Roskel, the suspended ceiling systems group, for the first six months of 1993, and the directors warn that trading in the short term was unlikely to improve.

The result was down from £652,000 to £528,000 from turnover of £21.72m (£22.52m). The directors said however, that in the medium term they looked forward to growth in the group's profitability "as the construction industry recovers from recession".

The interim is maintained at 1.3p despite losses of £1.2m.

The directors reported that Roskel Contracts had been notable for its consistent contribution to turnover and they said this company's strength in the market place had enabled it "to secure a satisfactory level of new business, commercial as well as retail, but margins are under pressure".

Sales at CP Supplies were ahead very slightly but profits, still affected by bad debts, were lower than last time. Tenon Partition Systems incurred development costs, but was expanding satisfactorily, they said.

Hire rates at Access Rental remained weak but utilisation improved a little and enabled the company to trade at break even for the first time since 1990.

Pre-tax figure for the period was after interest payable of £179,000 (£218,000) and a £56,000 share of an associate's loss. Earnings per share were 2.23p compared with 2.91p.

Bowthorpe up to £27m after currency gains

By Paul Taylor

BOWTHORPE, the UK-based international electronic and electrical components group, brushed aside difficult first-half trading conditions to post a 20 per cent increase in pre-tax profits and raise the interim dividend.

Pre-tax profits increased from £22.42m to £26.99m in the six months to June 30 on turnover which grew by 30 per cent to £163.6m (£125.6m) including £891,000 from acquisitions.

Earnings per share increased by 15 per cent to 9.05p (7.88p) and the group is to pay an interim dividend of 1.88p (1.73p). The shares gained 4p to close at 360p yesterday.

Currency movements added £16.4m to turnover in the first-half and £3.1m to pre-tax profits. A further, smaller currency gain is expected during the current half.

Mr John Westhead, chief executive, commenting on the results said, "we are pleased to have produced a useful improvement in performance in what has been a difficult operating environment.

"For 1993 as a whole, we expect to report further modest organic growth. In the US demand shows steady growth, but Germany continues in recession. In the UK the recovery is patchy but continuing."

Group operating profits rose by 26 per cent to £27.6m (£21.9m), while net interest payments totalled £594,000 (£548,000 receipts).

UK operating profits increased to £6.9m (£4.8m) reflecting the acquisitions made in 1992 and a small degree of improvement in general economic conditions. UK operations contributed 25 (22) per cent of group profits while sales increased by 37 per cent to £50.7m.

In the US, generally improving demand, together with improved efficiency and market penetration produced higher operating profits of £9.2m (£6.3m) on sales which grew by 45 per cent to £51.6m.

However operating profits from Bowthorpe's Continental European operations - mainly in Germany - slipped by 3 per cent to £8.8m, with gains on currency offset by the effects of the recession.

Despite acquisitions which totalled £4.8m and £10.5m of capital expenditure during the first half, the group generated £7.5m (7.4m) in net cash. Net borrowings totalled £16m at the end of June, down from £17.2m at the end of December, giving gearing of 14 per cent.

● COMMENT

Bowthorpe continues to outperform expectations with profit gains in the US and UK more than offsetting the downturn in Continental Europe. Sales and operating profits from electronics now represent about two-thirds of the total with electrical products holding the balance - a reversal of the position three years ago. Meanwhile Bowthorpe's highly selective acquisition strategy will continue. Full year pre-tax profits should reach £50m producing earnings of 17.1p and a lofty but deserved prospective p/e of 21.

CALA in black after two years of losses

By Peter Franklin

AFTER TWO years in the red, a strong recovery in the second half enabled CALA Group, the housebuilder, to report a pre-tax profit of £226,000 for the year to end-June.

Mr Geoffrey Hall, chairman, said the outcome - which compared with a deficit of £980,000 last time - had been struck after write-downs totalling £1.1m to reflect the fall in the value of housebuilding land and of the group's remaining property interests.

Turnover was up by £3m to £69.2m and after a tax credit of £476,000, arising from the recovery of ACT written off last year, earnings per share worked through at 1.98p (3.44p losses). As forecast, there is a final dividend of 1.55p (1.15p) to maintain the total at 2.3p.

Net borrowings were reduced by £4.8m during the period and stood at £11.1m at the year end, Mr Hall, while significant progress had been made in reducing overheads - down from £9.9m to £7.1m over the past three years.

The group's three housebuilding businesses sold a total of 676 units during the year at an average price of £122,000 - compared with 694 units at an average £114,000 last year.

However, the commercial property market had deteriorated further from its already depressed state, Mr Hall said, and the group's programme of disposals had been at a much slower pace than had been hoped.

Co-op Bank almost doubles to £8.1m

By Andrew Jack

LOWER bad debt provisions and increased interest income helped to nearly double pre-tax profits at Co-operative Bank to £8.1m in the 28 weeks to July 23.

In interim figures released yesterday, the bank reported earnings of 0.37p per share, compared with losses of 0.02p in the first half last year.

Mr Terry Thomas, managing director, said: "We are very pleased. We are ahead of where we thought we would be."

The bank reduced provisions against bad debts by 14 per cent to £19.5m (£22.8m). Mr Thomas said the reduction reflected more customers repaying their debts and a "cleaning out" of the corporate loan book.

Net interest income was £69.4m (£67.9m), after a reduction in interest receivable to £133.7m (£178m) was more than offset by a reduced interest charge of £64.3m (£110.2m).

Dealing profits more than doubled to £1.8m (£760,000), while non-interest income rose substantially to £55.8m (£49.2m).

Deposits rose by nearly 9 per cent, which Mr Thomas said partly reflected the bank's ethical code launched last year. He said 36 per cent of new customers mentioned this as one reason why they joined.

Staff costs rose to £43.3m (£41.3m) including severance payments and miscellaneous costs of £3.6m (£2.2m).

Other expenses jumped to £43.8m (£35.9m). These included higher marketing and promotional costs, enhancing customer services - including e switch to 24-hour operation of telephone banking and work on centralised banking administration - technology and other infrastructure developments.

Operating income rose 8 per cent to £119.4m (£110.3m). The tax charge was £3.1m (£1.6m). The interim balance sheet showed contingent liabilities of £124.4m, down from £144m.

The bank's figures were presented in the format required by FRS 3, the new accounting standard on the profit and loss account. Mr Thomas said: "For Joe Punter this is just a maze of numbers. And the definitions leave something to be desired."

But referring to the greater disclosure of information required by the standard, he said: "It must be in the best interests of depositors and shareholders because it's all hanging out for yon to see."

Knocked off the published timetable

National Express has been forced to rethink its business strategy, reports **Tim Burt**

THE LINGERING recession has delayed the arrival of National Express at the destination for which it set out when it was floated last December.

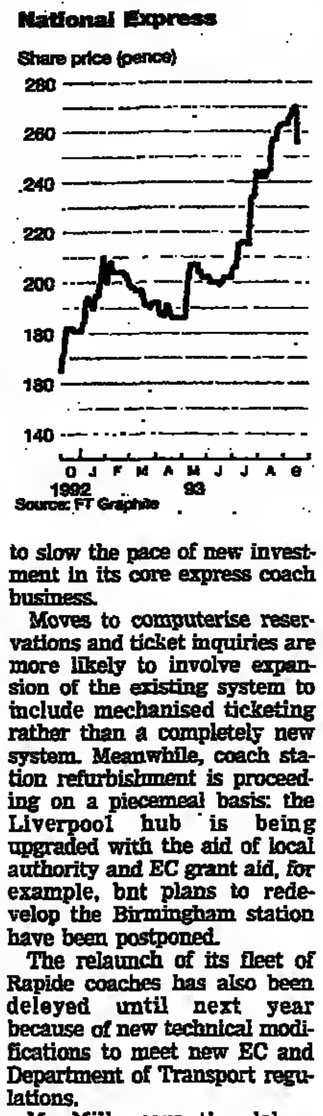
When it came to the market, the coach group mapped out e route to e more efficient and modern structure with plans to refurbish ageing bus stations, upgrade its express coach fleet and to invest in a new reservation system.

National Express assumed it could justify the modernisation programme, necessary if the group was to squeeze greater margins from its low budget customers, because it expected passenger volumes to grow as the recession came to an end.

Its plans, however, have been frustrated by British Rail, which has lured away coach travellers with fare discounts of up to 80 per cent. The coach company has complained that InterCity, the express division of BR, has used cross-subsidies from other parts of the rail network to offer fares which it finds hard to match.

"We thought thet the recession was over and that people would be spending more money. We were ready to put emphasis on better quality. But BR is competing on price only, not on quality," says Mr Adam Mills, deputy chief executive at National Express.

Recession and the cost of cutting its workforce by 10 per cent took their toll on the interim results reported earlier this week. Pre-tax profits fell 46 per cent to £585,000 after £427,000 of redundancy charges in its express coach division. Turnover slipped from £59m to £57.7m. The shares however, which dipped slightly on the results, closed down 12p to 256p yesterday, well ahead of their 165p flotation price.



Wary of the continuing impact of the recession and uncertain how long BR will maintain aggressive price competition, the group has decided to slow the pace of new investment in its core express coach business.

Moves to computerise reservations and ticket inquiries are more likely to involve expansion of the existing system to include mechanised ticketing rather than a completely new system. Meanwhile, coach station refurbishment is proceeding on a piecemeal basis: the Liverpool hub is being upgraded with the aid of local authority and EC grant aid, for example, but plans to redevelop the Birmingham station have been postponed.

The relaunch of its fleet of Rapide coaches has also been delayed until next year because of new technical modifications to meet new EC and Department of Transport regulations.

Mr Mills says the delays have not been forced on the company by cash constraints. It is being cautious with its strategy rather than expanding rapidly, he says. "We've slowed the pace of investment in National Express Coaches to ensure we get a payback on our spending."

Hampered by the difficult trading conditions in its inter-city coach business, the company has embarked recently on alternative routes to reach the goal of steady profits.

National Express is offsetting declining demand for its domestic services by developing its participation in Eurolines, the inter-European coach service comprising 40 different companies, in which the UK group now claims to be one of the leading players.

Traffic volumes to western European cities have grown by 18 per cent since flotation, and passenger demand on routes to the east have exceeded expectations. "Services to Warsaw and Prague have grown rapidly from a standing start; we're running 16 full coaches e week to Poland," says Mr Mills.

By the end of the decade National Express expects passenger volume on services in Europe, where it enjoys a greater price differential against airlines, to match its domestic network. Yet competition with airlines on some European routes has not deterred the company from forging alliances with the aviation industry at home.

National Express's exposure to airports, which first began through inter-airport coach services such as between Heathrow and Gatwick, has given the group an appetite for more. The company already has passenger transfer contracts with British Airways and is now discussing links with other airlines.

The scope is enormous - the group's Birmingham-based management team has examined services as diverse as baggage handling services, aircraft tugs and even limousines for first class travellers.

Earlier this year, the company emphasised its move away from coach operations with the £27.1m acquisition of East Midlands International Airport in Leicestershire.


Tony Andrews

Ray McEnhill, chief executive (left), and Adam Mills: taking alternative routes to reach the goal of steady profits

Mr Mills says the airport is a fairly small business, but its profits - £3.36m in the year to last March - will be a welcome injection for the group.

The acquisition - funded by a £3.75m rights issue, cash and £17.5m of medium-term bank debt - is part of a wider strategy to forge links with tour operators and expand airport operations.

Mr Mills admits that the company is looking at other airports, but says it is not about to make imminent acquisitions. Instead, it is opting for a measured expansion of non-core activities while trying to enhance the margins on its domestic coach business.

National Express, he claims, is negotiating its way slowly around the obstacles of weak UK passenger demand while making strategic decisions to reduce its reliance on coach services. "We like high volume, low cost transport. That means not bidding for assets which are overvalued; we will specialise instead on turning round former state-owned enterprises."

Calor surges to £27.6m as restructuring pays off

By David Blackwell

CALOR GROUP, the liquefied petroleum gas distributor, more than doubled first-half pre-tax profits as the benefits of e two-year restructuring programme started to emerge.

They rose to £27.6m from £11.5m last time, which included restructuring costs of £14.8m.

"A fair proportion of the restructuring is at last feeding its way through to the bottom line," said Mr Hamish Macpherson, group treasurer. After allowing for the restructuring, profits were still 5 per cent ahead.

Price cuts made to defend Calor's UK market share resulted in a drop in turnover to £152.8m from a previous £164.5m. Mild weather was experienced early, in both years, and the same tonnage of gas was sold in both periods.

Mr Macpherson described the results as "satisfactory, considering we did not get the cold weather." Five of the last six UK winters have been mild.

Margins also suffered from a slight rise in the price of gas supplies and the weakening of sterling against the dollar. However, the company said its cost reduction programme had helped it to improve its competitive position against other fuel suppliers without materially affecting profits. The core gas business made operating profits of £29.6m (£31m).

Total operating profit was £27.7m, up from £27m last time.

Net interest paid was £100,000 (£700,000), partly because of lower rates, and partly because of lower borrowings. The latter reflected the low level of capital expenditure because of lack of growth in the domestic and commercial sectors. At the end of the half, gearing was zero and the group had net cash of £25.9m.

Losses for the air separation business, which makes equipment for dispensing beer, were reduced to £1.6m from a previous £3.8m. The company said the division was making progress and had installed further systems "with a high level of customer satisfaction."

The Pam Gas Central European venture with SHV; the Dutch investment company which owns 46.2 per cent of Calor's stock, and Primagaz, the French LPG distributor, was continuing profitably in Poland, Hungary and Slovakia.

Earnings per share were up to 10.4p from 4.1p. The interim dividend is unchanged at 6p.

Recent acquisitions help lift Waterford to I£11.4m

By Tim Coone in Dublin

WATERFORD Foods, the Irish dairy group, has reported a 31 per cent rise in pre-tax profits to I£11.4m (£10.7m) on turnover up 35 per cent to I£338.5m, for the six months ended June 30.

The company said all its divisions produced good performances, with the exception of its Galloway West subsidiary in the US "which was affected by unfavourable trading conditions".

Its neweet acquisitions - Express Foods Ireland and Premier Dairies - emerged as significant contributors to earnings. Waterford paid Grand Metropolitan I£63m for the two companies in August 1992 and the acquisitions have given the group e 36 per cent share of the liquid milk market in the Irish Republic and 70 per cent of the Dublin market.

Mr John Barry, the chairman, said the reorganisation and integration in the north of the UK of the Heald's and UCD dairy businesses - acquired in December 1991 - had also helped boost earnings and to improve profit margins from 4.1 per cent to 5.9 per cent.

Interest charges rose sharply to I£7.23m (I£3.03m), reflecting the new acquisitions and the exceptionally high interest rates early in the year during the ERM currency crisis. Operating cash flow however, also grew strongly by 67 per cent to I£26.9m, which the company said would be used to reduce net debt and gearing to around 65 per cent by year end (78 per cent at the end of 1992).

Earnings per share grew by 20 per cent to 5.16p (4.29p), which Mr Joe Gill of Riada stockbrokers in Dublin said "was ahead of expectations". He said however, he was not adjusting his full-year pre-tax profits forecast of I£24.8m and an EPS of 11.3p "as market conditions are not expected to be as good in the second half. This will still represent good earnings growth of 13 per cent though".

An interim dividend of 1.19p (1.15p) has been declared.

1/2 hour period ending	Provisional Price for Trading on 14.09.93: Pool purchase price £/MWh	Final Prices for Trading on 11.09.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.05	18.24	18.24
0100	18.05	18.09	18.09
0130	18.05	18.09	18.09
0200	18.06	18.09	18.09
0230	18.06	18.09	18.09
0300	18.05	18.09	18.09
0330	18.05	18.05	18.05
0400	18.05	18.05	18.05
0430	18.05	18.05	18.05
0500	18.05	18.05	18.05
0530	18.05	18.05	18.05
0600	18.06	18.04	18.04
0630	18.11	18.03	18.03
0700	23.67	18.54	18.54
0730	24.62	20.94	23.93
0800	28.76	24.81	27.90
0830	33.08	24.94	28.01
0900	34.19	27.31	30.47
0930	34.79	29.07	32.28
1000	35.08	29.08	32.28
1030	35.17	29.08	32.28
1100	35.41	27.34	30.48
1130	40.08	29.08	32.31
1200	40.74	32.07	35.40
1230	40.26	32.08	35.38
1300	38.76	32.06	36.32
1330	28.94	27.06	30.12
1400	27.05	25.80	28.83
1430	26.88	25.80	28.82
1500	26.92	25.80	28.80
1530	26.80	25.80	28.81
1600	27.17	25.80	28.82
1630	34.12	27.05	30.09
1700	34.29	32.83	36.05
1730	33.70	32.83	36.05
1800	33.00	32.82	36.06
1830	26.10	28.01	28.64
1900	28.08	25.81	28.86
1930	26.27	25.81	28.86
2000	43.55	25.92	28.58
2030	43.58	25.92	28.59
2100	43.36	33.00	36.27
2130	32.77	33.00	36.25
2200	24.72	33.00	36.29
2230	24.71	32.80	36.13
2300	21.47	19.62	19.62
2330	23.87	19.00	19.00
2400	18.24	19.00	19.00

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.69/MWh becomes 1.869p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
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Bernard Matthews shares up 6p after recovery to £4.64m

By Peter Pearse

SHARES in Bernard Matthews climbed 6p to 79p as the poultry processor announced pre-tax profits for the 28 weeks to July 18 more than doubled from last time's depressed £2.13m to £4.64m. Turnover increased from £65.7m to £88.9m.

Mr David Joll, managing director, said Matthews was in "e recovery situation", but had gained its profits rise "under difficult conditions".

The profits advance in continuing operations to £4.63m (£2.15m) on turnover of £79.3m (£65.7m) came mostly from branded added value products, he said, adding that this now included a new range of cooked meats. This latter had grown from nothing a year ago to e £20m brand now.

Also, the low-priced imports from Europe and the US which had adversely affected 1992 had partly been pushed out by the devaluation of eterling as well as by low-priced UK turkeys, Mr Joll said.

He emphasised that last year whole birds accounted for only 17 per cent of sales and had been a loss-making part of the business.

Very competitively priced UK turkeys had driven up consumption at Easter from about 2m normally to about 3.5m, partly because lamb had been expensive.

Acquisitions - essentially Sarvari Baromfipari, the Hungarian producer of turkey, chicken, goose and duck meat acquired for £2.7m in March - contributed £9.6m to turnover and £464,000 to profits. Mr Joll expected the profits to rise once Matthews had brought its technology to bear and introduced its product range. Sarvari serves the Hungarian, Austrian and Swiss markets.

Progress in France, where Matthews will spend more than £4m in TV advertising this year, has been slower. The company said it still has substantial in-roads to make in the French market.

Rather than simply agreeing with the headquarters of the various French food etore chains to stock Matthews' products, Mr Joll said the company often had to convince regional managers, and in some cases, individual store managers.

The dividend is lifted by a "cautious" 10 per cent to 1.1p, payable from increased earnings of 2.5p (1.13p) per share.

Try first half profit sharply lower at £68,000

PROFITS of Try Group, the contractor and housebuilder, fell from £380,000 to £68,000 pre-tax for the half year ended June 30.

The market remained competitive and inevitably affected the resnlts, tbs directors pointed out. Turnover was little changed at £62m compared with a previous £63m.

They added that the early monthe of the year brought some improvement in the rate of housing sales.

The directors said, however, that this was not maintained and, despite a revival in the past few weeks, "prices are not yet at a level at which we can generate profits".

Earnings fell to 0.08p (0.71p) but the interim dividend is being maintained at 0.5p. At period-end, net borrowings were down from £4.9m to £2m.

NEWS DIGEST

OIS Intl progress at midway

OIS International Inspection, the technical inspection services group, returned profits of £1.44m pre-tax on turnover of £24.2m for the six months ended June 30.

No directly comparative figures were available. The company came to market at the tail end of last year and for the 12 months to end-December reported pre-tax profits of £1.74m, some 10 per cent ahead of the prospectus forecast. Turnover totalled £46.8m.

Directors said the half year performance reflected the holding of margins in e competitive environment, reduced interest charges and the elimination of losses from discontinued activities.

The group's UK operations, based at Aberdeen and Stockton, performed "well ahead of expectations".

A maiden interim dividend of 0.7p is being paid from full diluted earnings of 3.2p.

The shares closed 3p higher at 77p.

Record rises 22% to £984,000

Despite a background of poor trading conditions, with overseas markets generally remaining difficult, Record Holdings, tool manufacturer, raised pre-tax profits by 22 per cent from £809,000 to £984,000 in the first half of 1993.

Turnover was lower at £13.81m (£13.97m). Interest took £184,000 (£8,000 received), but with the company continuing to improve operating efficiency and reduce costs, earnings per share were up 44 per cent at 1.76p (1.22p). The interim dividend has been maintained at 1.15p

BZW net assets improve to 118.13p

Net asset value per share of BZW Convertible Investment Trust improved to 118.13p as at July 31 1993. This is compared with 115.26p six months earlier and 94.44p at July 31 1992.

Available revenue was little changed at £4.3m (£4.32m) for the year to end of July giving earnings per share of 8.52p (8.54p). The dividend is maintained at 7.8p for the year with e same-again final payment of 3.3p.

Scottish Heritable makes $8.7m sale

Scottish Heritable Trust, the mini-conglomerate, is to sell its Fox Ridge Homes subsidiary for $8.7m (£5.64m) in cash. Proceeds will be used to cut bank borrowings.

Fox Ridge, based in Nashville, Tennessee, is engaged in the construction and sals of housing. Completion is expected to occur on or about October 5 - £0.5m of the price represents compensation for a covenant not to compete with Fox Ridge for a period of 5 years following the disposal.

In 1992 Fox Ridge made pre-tax profits of $1.6m on sales of $23.7m. Net assets at the end of the year were $10.1m and its carrying value in the group accounts at that date had been written down to $8.4m.

Inishtech hit by exchange translation

Inishtech, the Irish hygiene products and printing and packaging group controlled by James Crean, announced pre-tax profits for the first half of 1993 virtually unchanged at I£3.6m (£3.37m) compared with I£3.55m, on sales up from I£24.24m to I£27.03m.

The directors said the result was adversely affected to the extent of I£325,000 by the translation effect of a weak sterling/punt exchange rate. Expressed in sterling, profits were up 10 per cent.

Fully diluted earnings per share were 17.9p (18.3p). There is e maiden interim of 2.5p. Lat year a single dividend of 6.05p was paid.

Hartons losses double to £1.88m

Hartons Group, engaged in plastic sheet and film, doubled its losses from £938,000 to £1.88m pre-tax for the half year ended June 30. Comparative figures were restated to conform with FRS 3.

Turnover of continuing activitiee declined from £35.35m to £29.68m. Losses per share emerged at 2.8p (1.4p). The preference dividend is again being omitted.

The directors said the depressed trading conditions in mainland Europe were likely to influence the overall results for the foreeeeable future despite progress made in the UK.

Verity deficit widens to £4.3m

Losses at Verity Group, a manufacturer and distributor of Wharfedale and Mission loudspeakers, widened from £3.68m to £4.27m pre-tax for the year ended June 30.

The deficit was scored after taking account of a provision of £1.7m (£651,000) for reorganisation and restructuring costs together with closure charges on discontinued operations.

Interest costs rose from £546,000 to £870,000.

Turnover of £16.23m (£8.56m) incorporated £8.7m from the Mission companies for the eight and a half months since their acquisition.

Allied abandons Aitken proposals

Allied Group, which holds about 30 per cent of Aitken Hume International, the banking group, has decided not to pursue its proposals for Aitken outlined in July at the time of its preliminary results.

The proposals - among other possibilities - involved investment by the group in the Asia Pacific region.

The decision followed discussions between the Aitken board and Allied.

The Aitken board said yesterday that it continued to explore means by which shareholders could realise the underlying value of their investment.

Bredero shows profit of £11,000

Bredero Properties, the development company 49 per cent-owned by Slough Eetates, turned in e pre-tax profit of £11,000 for the first half of 1993, against a £4.43m loss last time.

There were nil earnings per share (13.4p losses). Bredero is prohibited from paying any dividend to ordinary and preference bolders until September next year.

FBD Holdings turns in 39% advance

Pre-tax profits of FBD Holdings, the Dublin-based insurer, advanced by 39 per cent, from I£5.25m to I£7.3m (£6.9m), in the half year to end-June. Turnover rose from I£45m to I£50.9m.

Earnings per 50p share rose 48 per cent to 11.25p (7.58p) and the interim dividend is upfrom 2p to 2.3p.

Foreign & Colonial High assets rise

Net asset value per ordinary share of Foreign & Colonial High Income Trust stood at 70.7p at end-June, an improvement of 26 per cent over the 56p standing 12 months earlier.

Available revenue for the year worked through at £825,000 (£930,000) and earnings per share slipped to 2.75p (3.1p). A final dividend of 1.42p makes a 2.62p (2.52p) total.

Results

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All systems'go' for coffee scheme

By Sarita Kendall in Bogota

COFFEE-PRODUCING countries meeting in Bogota have agreed on both the retention scheme and the statutes for the new producers' association to be launched next week in Brazil.

Mr Jorge Cardenas, bead of the Colombian Coffee Growers' Federation, stressed that producers were not forming a cartel but trying to ensure organised supply.

Retention will begin on October 1 with eacb country holding back 20 bags of coffee for every 100 bags exported. If the coffee price index stays at 75 cents a lb or more for 20 days retention will drop to 10 per cent of exports. If the price then reaches 80 cents a lb or more for 10 days there will be no furtber retention until prices drop again.

All the coffee beld back must come from the current harvest and an international company will audit the scheme. Penalties will be applied to those not keeping back the full amount – for example, producers will have to retain double any proven shortfall. The association's committee will decide wbether stocks are to be freed and when.

Observers at the meeting included several countries which will now probably join tbe association. Ecuador has already decided to do so but Mexico said it could give no definite answer as yet. Countries committed to the association account for some 85 per cent of world coffee production.

Tbe Bogota meeting was essentially a technical discussion in preparation for the September 23 launch and Mr Cardenas called it "a real success". The association aims to co-ordinate production and exports among as many producers as possible and will also work to expand coffee consumption.

Mr Frederico Robalinho of the Brazilian trade ministry said the association was very well prepared for next week's meeting and be was optimistic about its future. Mr Andrade Vieira, Brazil's minister for industry, trade and tourism, is to be the first executive president and the headquarters provisionally being estabilished in Brasilia.

Reduction in world wool output forecast

By Deborah Hargreaves

THE WORLD wool clip is expected to be 5 per cent lower in the 1993-94 crop year (ending June 30) at 1.6m tonnes, according to the latest Wool Statistics report by the International Wool Textile Organisation.

This represents a 20 per cent fall from tbe record set in 1989-1990 as growers have turned away from wool to other crops in the face of depressed world demand.

World prodncers' stocks remain high and total supplies are expected to amount to 2.2m tonnes – 4 per cent below last year, bnt still excessive by historical levels.

Tbe wool organisation is looking for a pick-up in world demand as the recession ends and points out that stocks are low in some consuming conntries, including the US. Bnt with overall economic growth proceeding at a slow rate it expects the scope for increased demand this year to be limited.

China, which has been the world's largest wool consumer since 1991, could be slowing its growth in demand. In the first half of 1993, China's raw wool imports increased by 16 per cent to 95,908 tonnes hnt its output of wool fabrics was 8 per cent lower than the same 1992 period, iodicating that part of its imports are being held as stock.

Shephard hopeful that Argentina will lift 'mad cow' ban

By Deborah Hargreaves

MRS GILLIAN Shephard said she hoped for a rapid lifting of the ban on imports of British cattle to Argentina after talks held during her recent trade promotion trip to three South American countries.

Argentina remains one of 17 countries still banning British cattle for breeding because of the outhreak of "mad cow disease" in the 1980s.

Mrs Shephard who has left officials behind in Argentina to continue oegotiations oo lifting of the ban, said some very real progress had been made. "Not that Argentinian beef oeeds improving – they have some of the most magnificent animals in the world – but there is eoormous enthusiasm for freshening the stock and there will be opportunities for co-operation."

The ban applies chiefly to frozen embryos and semen used for introducing oew strains to beef cattle.

Mrs Shephard said Argentina was also interested in improving techniques in the pig industry and was keen to co-operate with UK experts.

Mr Eric Thain, executive director of the Scottish Agricultural College, who accompanied Mrs Shephard oo her trip, said he had agreed a deal to co-operate with Argentina's technology institute on a wide range of farming issues, including pig breeding. Mr Thain will also be helping the Argentines with sustainable farming methods and vaccinations for foot and mouth disease.

Mrs Shephard touched on the sensitive issue of fish stocks in the South Atlantic during her trip, but she said the issue of sovereignity of the Falkland Islands was not mentioned.

● A two-week spell of dry weather in Argentina's farming belt could hurt production of the 1993-94 wheat crop, traders have warned, reports Reuter from Bnenos Aires.

Stunted seedling growth in vast crop areas – caused by the receot lack of rain and a previous 70-day drought – could inflict losses of up to 1m tonnes, they added.

Seasonal wheat sowing was concluded in the past week, with farmers planting a total 5.2m hectares.

Cotton prices under pressure in Pakistan

PAKISTANI COTTON prices have slomped in the past two weeks amid signs of a big crop after last year's poor harvest, reports Reuter from Karachi. High domestic interest rates have exacerbated the situation by keeping buyers out of the market, analysts say.

Prices for the 1993-94 (July-June) crop had fallen by nearly Rs200 (£4.40), or 17 per cent, since the season officially started oo September 1, said Mr Akbarali Hashwani, chairman of the private Karachi Cotton Association.

He forecast a further drop in prices oo the good crop. "Quality is good and quantity is large," he said.

Mr Hashwani explained that the crop was doing well because of recent hot dry weatber in cotton-growing areas in the south and centre of the country.

CIS proposes quota plan to stem aluminium flood

By Kenneth Gooding, Mining Correspondent

THE ALUMINIUM industry of the Commonwealth of Independent States has offered to start a quota system to reduce output as a gesture to ease tensions caused by exports to the west.

The offer was made by Mr Igor Prokopov, president of Concern Aluminiy, the holding company for the CIS industry, at the first face-to-face meetings with European Commission representatives in Brussels.

Mr Prokopov said Concern Aluminiy envisaged a voluntary production quota system similar to the one attempted by the Organisation of Petroleum Exporting Countries, according to reports about the meeting by European industry representatives.

There are some fears among European producers, however, that CIS aluminium qnotas might be as ineffective as those of the Organisation of Petroleum Exporting Countries are proving to be at present. One senior European executive suggested the system would oot work unless the CIS smelters actually shut down capacity. There is also some doubt about the inflnence Concern Aluminiy could bring to bear on individual smelters. Some reports suggest that two big Siberian smelters – Krasnoyarsk (800,000 tonnes annual capacity) and Bratsk (850,000 tonnes) – have dropped out of the consortium. The two smelters' managers are reported not to have attended the last meeting of Concern Aluminiy in June.

Nevertheless, this gesture by the CIS industry will be seen by some observers as vindication of the highly-criticised action by the European Commission to restrict CIS aluminium imports to the EC until the end of November. EC officiala insist the restrictions were meant to be a political gesture to bring the CIS industry to the negotiating table and were not expected to have any impact on the total flow of aluminium from the CIS.

At the meetings with Concern Aluminiy last week EC officials stressed the two-way nature of the talks. While they sought export restraint by the CIS producers, they pointed out the EC industry was ready and willing to help in the CIS with know-how, technology and even cash in certain circumstances.

Strains between the EC and the CIS industry developed after annual exports to the west surged from 200,000 tonnes before 1990 to about 1m tonnes last year. Traders at this week's annual Metal Bulletin aluminium conference in Montreal made estimates of this year's CIS exports ranging from 1m to 2m tonnes.

In the new spirit of growing glasnost between the EC and CIS industries, the Europeans are going out of their way to convince the CIS producers that they see them as equal partners in an industry oo longer divided into "east" and "west".

This means that calculations about what is needed to restore a supply/demand balance to the aluminium market have had to be done again. As demand in the CIS has dropped so steeply – Mr Horst Peters of VAW estimated at the conference that in Russia alone it had slumped from 2.6m tonnes in 1988 to 1.8m tonnes last year – some observers now estimate that the combined industry needs to shut down at least another 1m tonnes of annual capacity, either permanently or until prices have recovered. Mr Louis Vincinguerra, a general partner at Banque Rothschild in France, said at the MB conference that 1.5m tonnes needed to go.

EC officials said that more meetings with the CIS aluminium producers were planned before the end of September. "It will be difficolt, but we hope to reach a formal agreement before the end of November," one said. Some in the EC industry suggest that, even if there was no full agreement by then, now that the Commission has the full atteotion of the CIS producers, there would be little purpose in continning import restrictions.

EBRD to advance $90m loan for Russia's Polar Lights oil project

By Leyla Boulton in Moscow

THE EUROPEAN Bank for Reconstruction and Development yesterday signed a $90m loan for Polar Lights, a joint vsnture between the US oil company Conoco and Arkhanskgeologiya, a Russian state-owned company.

The loan is part of a $350m project involving another $60m loan from the International Finance Corporation and $50m from the Overseas Private Investment Corporation for the development of the Ardalin oil field.

Conoco's investment will amoumt to at least $50m.

Mr Billy Branch, Conoco's representative in Moscow, said tbe partners had "some confidence" that an exemption granted to them from some oil export taxation would still be respected by the time production began. Peak production is expected to be around 26,000 barrels a day during the 20 year life of the project.

The EBRD loan carries a maturity of nine years and a grace period of three years during which nothing will have to be paid. Western loans will be repaid via Russia's state-owned Moscow Narodny Bank in London ont of the proceeds from oil exports.

The EBRD, anxious to demonstrate effective lending to eastern Europe following the furore over the spending on its headquarters in London, says it hopes to grant around $400m in loans to the Russian oil sector this year. This would inclnde a $80m loan its board approved recently for Nizhnevartovskneftegas, Russia's biggest state-owned oil company, for a project not involving a foreign oil company.

Bangladesh unveils jute rescue plan

BANGLADESH WILL create a $2.5m loan fund, ban production of synthetic bags and provide interest-free loans in an effort to save its ailing jute industry, Mr Hannan Shah, the jute minister said this week, reports Reuter from Dhaka.

Overmanning and inefficiency have been identified as the main reasons for huge losses in the public sector jute industry, he told parliament on Tuesday night.

Public sector jnte mills had lost Tk250bo (£4.2bn) since 1972 because of the shrinking international market and low efficiency.

The minister said the government would create a revolving fund of $2.5m to offer mills loans at 3 per cent interest over 12 years. He added that the government would ban production of polythene bags and other synthetic products that posed a major threat to the jute market. However, he gave no date for imposing the ban or for implementing the loan plan.

Bangladesh, which is under pressure from the World Bank to sack excess workers and sell loss-making jute mills, earns about $420m or nearly 17 per cent of its annual receipts from jute and jute goods.

Philippines plans to export more sugar

THE PHILIPPINE Sugar Regulatory Administration plans to sell more sugar on the world market in 1993-94 to dispose of its huge stockpile, reports Reuter from Manila.

About 500,000 tonnes will be exported this season against the previous crop year's nearly 150,000 tonnes world market allocation, the SRA said. Total sugar production is expected to reach 2m tonnes in 1993-94.

SRA administrator Mr Rodolfo Gamboa said the increased allocation was because of a huge stock of sugar, amounting to some 400,000 tonnes, carried over from 1992-93.

Some sugar exporters were not keen to sell abroad, however, because the world price of 6 to 8 US cents a lb is much lower than the domestic cost of production of about 13 cents a lb, Gamboa noted.

He said tbe large stock would not depress domestic prices because of delays in milling for the last crop by one to two months to around November this year. The delays were because of a drought that prevented early plantings last year, he added.

FAO official gloomy on price outlook for tea

WORLD TEA prices are likely to soften over the next seven years because of a projected surplus in output of black tea by the turn of the century, a senior official of the United Nations' Food and Agricultural Organisation said yesterday, reports Reuter from Coonoor, India.

Mr Gunther Wurdack, secretary of the Intergovernmental Group on Tea in tbe FAO, said that despite the projected weakening in already depressed prices, it was unlikely that this would translate into a significant increase in consumption.

He told a commodities conference here that global production of black tea was forecast at 2,638m kg in the year 2000, compared with projected demand of 2,548m kg.

"The projected imbalance of supply outstripping demand would indicate that already depressed prices could weaken further," he said. "This in turn could force a number of growers to curtail productioo since already current prices obtained by some teas do not cover costs."

In a paper read at the centenary conference of the United Planters' Association of Southern India, Mr Wurdack said this would not be in the interests of the tea industry. He suggested it might induce both exporters and importers to reconsider the idea of raising the quality of teas entering the export market by implemeoting minimum quality standards. Quality improvement would help bolster international prices by reducing supply, he said.

The FAO is to hold an intergovernmental group meeting in Morocco next June to discuss setting new international standards for the tea industry, Mr Wurdack told conference delegates.

"Going for better quality teas is the right approach to take," said Mr A.K. Gosawmi, joint secretary in charge of plantations in India's commerce ministry. "There is not much elasticity in developed markets."

The FAO forecasts that India, the world's largest producer of black teas, will boost tea output to 966m kg, compared with a government target of 1bn kg by the year 2000. It expects the next largest producers, Sri Lanka and Kenya, to have outputs that year of 264m kg and 250m respectively. Mr Wurdack suggested, however, that the Sri Lanka figure might prove to be be too low.

UPASI forecasts that Indian production will reach a record 745m kg this year, compared with 703m kg in 1992 and 743m kg in 1991.

World black tea import requiremeots are forecast by the FAO to reach 1,227m kg in 2000, up from 963 million in 1990.

Mr Wurdack said total export availability by the turn of the century would be 1,325m kg, leaving a projected exportable surplus of 98m kg.

Several delegates at the conference objected to the FAO's predictions, arguing that they were based on faulty data and would help add to the depressed international prices.

UPASI forecast that prices might rise this year. Having averaged Rs39 (82p) a kilogram at Indian auctions during the past four years, they could reach an average of Rs48 in 1993, it said.

WORLD COMMODITIES PRICES

MARKET REPORT

The London Commodity Exchanga COCOA market submitted to a minor correction yesterday, easing furthar in the afternoon as the market seemed reconciled to let the profit-takers return, albeit temporarily, to the driving seat. Tha December futures price closed at £862 a tonne, down £18 on the day and £28 below this week's peak. "We've been seeing this for some time – the market rises sharply, drops back about £25, but then picks itself up again," one dealer said. COFFEE futures had also been showing substantial losses but recovered towards the close as traders anticipated positive statements from members attending talks on technical aspects of the retention scheme in Bogota. At the London Metal Exchange COPPER prices ended firmer and near the day's highs as the market staged a technical rally to yesterday's declines against a background of a renewed widening in the cash premium. NICKEL prices were pushed lower during the morning by European merchant selling and stop-loss sales, although levels below $4,500 eventually attracted covering and trade interest, and tha market ended at $4,515, down $15.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$13.81-3.87z	-0.165
Brent Blend (dated)	$15.35-5.39	-0.195
Brent Blend (Nov)	$15.96-5.98	-0.21
W.T.I (1 pm est)	$17.17-7.19z	-0.16
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$155-157	-3
Gas Oil	$165-166	-1
Heavy Fuel Oil	$80-82	
Naphtha	$146-148	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$347.80	+2.35
Silver (per troy oz)♣	401.5c	-1
Platinum (per troy oz)	$353.75	+2
Palladium (per troy oz)	$117.50	+1.75
Copper (US Producer)	90.00c	
Lead (US Producer)	35.50c	
Tin (Kuala Lumpur market)	11.26m	+0.03
Tin (New York)	209.5c	-0.5
Zinc (US Prime Western)	52.0c	
Cattle (live weight)†	116.95p	-0.35*
Sheep (live weight)†♣	73.78p	-0.29*
Pigs (live weight)†	84.52p	-5.94*
London daily sugar (raw)	$250.0	-5
London daily sugar (white)	$263.2	-6.4
Tate and Lyle export price	£272.5	-3.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120u	
Wheat (US Dark Northern)	£160.5u	
Rubber (Oct)¥	58.75p	-0.5
Rubber (Nov)¥	59.00p	-0.5
Rubber (KL RSS No 1 Jul)	214.0p	-1
Coconut oil (Philippines)§	$417.5v	-7.5
Palm Oil (Malaysian)§	$357.5u	-2.5
Copra (Philippines)§	$290.0	
Soyabeans (US)	£168.0	
Cotton "A" index	55.45c	
Woollops (64s Super)	319p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ¥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

COCOA - LCE			£/tonne	
	Close	Previous	High/Low	
Dec	862	880	876	860
Mar	887	905	901	885
May	896	916	910	894
Jul	906	926	919	906
Sep	916	937	928	912
Dec	926	949	940	929
Mar	938	960	951	938
May	949	968	958	948
Jul	956	980	969	957

Turnover: 12593 (10276) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 14 913.48 (896.30) 10 day average for Sep 15 871.86 (864.62)

COFFEE - LCE			$/tonne	
	Close	Previous	High/Low	
Sep	1368	1337	1365	1350
Nov	1290	1257	1290	1260
Jan	1280	1277	1280	1260
Mar	1280	1269	1288	1260
May	1283	1266	1283	1250
Sep	1280	1266	1280	1260

Turnover: 5459 (3546) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 14 Comp. daily 73.71 (72.72) 15 day average 71.29 (70.98)

SUGAR - LCE			($ per tonne)	
White	Close	Previous	High/Low	
Oct	264.00	271.50	272.00	264.00
Dec	264.00	263.30	264.00	260.50
Mar	271.50	267.90	271.50	266.00
May	277.10	275.30	277.10	275.50
Aug	268.50		268.50	268.50

White 3095 (1149) Paris- White (FFr per tonne): Oct 1471.41 Dec 1477.10

CRUDE OIL - IPE			$/barrel	
	Latest	Previous	High/Low	
Oct	15.61	15.71	15.70	15.53
Nov	16.00	16.11	16.09	15.91
Dec	16.27	16.37	16.36	16.21
Jan	16.50	16.60	16.57	16.43
Feb	16.70	16.85	16.75	16.62
Mar	16.92	16.97	16.97	16.83
Apr	17.07	17.04	17.07	16.98
Jun	17.34	17.30	17.36	17.30
IPE Index	15.76	15.73		

Turnover 37000 (58614)

GAS OIL - IPE			$/tonne	
	Close	Previous	High/Low	
Oct	160.50	161.75	161.00	159.50
Nov	162.00	162.75	162.50	161.00
Dec	163.75	164.73	164.00	163.00
Jan	165.00	165.75	165.00	163.75
Feb	163.75	165.25	165.00	164.25
Mar	163.75	165.00	163.75	163.25
Apr	162.00	163.00	162.50	161.50
May	161.25	161.50	161.25	161.25
Jun	158.75	160.75	159.75	159.50

Turnover 13358 (11006) lots of 100 tonnes

POTATOES - LCE			£/tonne	
	Close	Previous	High/Low	
Apr	82.9	86.3	84.5	82.2

Turnover 83 (154) lots of 20 tonnes.

FREIGHT - LCE			$10/index point	
	Close	Previous	High/Low	
Sep	1480	1467	1482	1460
Oct	1500	1516	1520	1500
Nov	1495	1516	1520	1495
Jan	1495	1520	1515	1495
Apr	1510	1525	1525	1510
BFI	1424	1419		

Turnover 194 (280)

GRAINS - LCE			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	100.50	101.00	101.00	
Nov	102.65	102.90	103.15	102.40
Jan	104.55	104.90	105.15	104.40
Mar	106.50	106.85	106.85	106.40
May	108.65	109.10	108.95	108.75
Barley	Close	Previous	High/Low	
Sep	100.70	100.50	100.75	100.70
Nov	102.40	105.00	102.60	102.50
Jan	104.55	107.25	104.70	
Mar	106.15	109.05	106.25	
May	108.75	108.10	108.95	

Turnover: Wheat371 (342) Barley 62 (26).
Turnover lots of 100 Tonnes.

WOOL

Wool prices have been holding up very well in Australia this week, when there were clearances of over 90% at Geelong and Newcastle. The season's first large offering of superfine wools came on the market and attracted strong competition, particularly for the choicest styles. The AWC market indicator rose to 428 cents a kg, an increase of 10 cents in a week. Business conditions in the UK and on the continent continue to be very quiet and Bradford top quotations remain virtually unchanged.

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 38,384 lots
Cash	1110-11	1106.5-07.5		1109-09.5		
3 months	1130.5-31	1127-27.5	1132/1129	1129.5-30	1129.5-30	246,865 lots
Copper, Grade A ($ per tonne)						Total daily turnover 103,667 lots
Cash	1927-30	1889-900	1920	1918-20		
3 months	1879-80	1858-59	1885/1868	1872.5-73.5	1881-82	179,484 lots
Lead ($ per tonne)						Total daily turnover 3,754 lots
Cash	382-83	376-79		381-82		
3 months	396-96.5	392-93	395.5/395	395-95.5	394.5-95	22,840 lots
Nickel ($ per tonne)						Total daily turnover 13,171 lots
Cash	4480-70	4480-85	4410/4405	4405-10		
3 months	4515-20	4532-35	4540/4485	4485-70	4510-20	48,681 lots
Tin ($ per tonne)						Total daily turnover 3,312 lots
Cash	4490-95	4470-75	4460	4460-62		
3 months	4535-40	4520-25	4545/4535	4540-42	4530-30	10,833 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,882 lots
Cash	870.5-71.5	868.5-69.5	873/872	872-74		
3 months	887-88	883.5-85	891/886	889-89	885-86	80,485 lots
LME Closing £/$ rate	SPOT: 1.5610	3 months: 1.5407		6 months: 1.5327		9 months: 1.5256

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	347.40-347.90	
Opening	345.40-345.80	
Morning fix	345.25	223.909
Afternoon fix	346.00	224.169
Day's High	348.50-349.00	
Day's low	345.00-345.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.70	6 months	2.57
2 months	2.64	12 months	2.58
3 months	2.59		

Silver fix	p/troy oz	US cts equiv
Spot	261.85	403.75
3 months	265.50	407.55
6 months	269.15	409.95
12 months	276.65	417.35

GOLD COINS	$ price	£ equivalent
Krugerrand	346.50-349.50	224.00-226.00
Maple leaf	358.25-360.55	-
New Sovereign	81.50-84.50	53.00-55.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1100	25	59	7	17
1125	11	40	16	26
1150	3	26	35	39
Copper (Grade A)	Calls		Puts	
1900	27	54	31	75
1950	10	36	65	106
2000	2	22	108	142
Coffee LCE	Nov	Jan	Nov	Jan
1200	128	138	32	58
1250	96	110	50	80
1300	70	86	74	105
Cocoa LCE	Dec	Mar	Dec	Mar
775	96	135	11	23
800	76	117	17	30
825	62	101	25	39
Brent Crude	Nov	Dec	Nov	Dec
1650	26	53	76	79
1700	11	34	115	-
1750	5	17	-	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	347.5	344.6	0	0
Oct	347.9	345.2	348.9	345.0
Nov	348.6	345.8	0	0
Dec	349.6	346.9	351.0	346.6
Feb	351.3	348.6	353.0	348.0
Apr	353.0	350.2	353.7	350.5
Jun	354.5	351.8	355.3	354.8
Aug	356.1	353.4	356.9	356.9
Oct	357.5	355.0	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	357.1	352.5	358.0	352.5
Jan	358.1	354.5	361.0	355.5
Apr	360.8	356.0	361.5	358.0
Jul	361.8	357.0	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	397.6	397.2	402.5	398.0
Oct	398.7	398.4	0	0
Nov	400.5	400.0	0	0
Dec	400.6	400.5	406.0	397.0
Jan	401.1	400.8	0	0
Mar	404.3	404.5	412.5	401.0
May	407.3	407.3	412.5	403.0
Jul	409.7	410.0	415.0	406.0
Sep	413.2	412.6	418.5	416.0
Dec	417.8	416.6	422.5	420.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	81.95	82.40	82.60	81.80
Oct	82.05	82.50	82.60	82.15
Nov	82.05	82.50	0	0
Dec	82.45	82.85	83.40	82.40
Jan	82.55	83.00	82.50	82.50
Feb	82.70	83.20	0	0
Mar	82.85	83.40	83.60	0
Apr	82.95	83.60	0	0
May	83.05	83.80	83.70	82.80
Jun	83.15	83.90	0	0
Jul	83.15	83.90	83.75	83.30
Aug	83.15	83.95	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Oct	16.63	16.96	16.97	16.72
Nov	17.21	17.30	17.30	17.10
Dec	17.57	17.67	17.63	17.47
Jan	17.72	17.82	17.85	17.75
Feb	18.02	18.09	18.03	17.93
Mar	18.26	18.30	18.30	18.20
Apr	18.43	18.49	18.49	18.40
May	18.56	18.63	18.43	18.28
Jun	18.70	18.76	18.74	18.65
Jul	18.80	18.89	18.80	18.72

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Oct	51.75	51.74	51.90	51.10
Nov	52.70	52.77	52.85	52.10
Dec	53.65	53.71	53.70	53.10
Jan	54.30	54.38	54.35	53.85
Feb	54.50	54.68	54.70	54.25
Mar	54.05	54.18	54.20	53.85
Apr	53.30	53.38	53.30	53.05
May	52.63	52.68	0	0
Jun	51.90	52.23	52.10	52.10
Jul	52.30	52.48	52.20	52.20

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1038	1046	1062	1058
Dec	1158	1158	1167	1137
Mar	1207	1206	1217	1187
May	1229	1230	1240	1213
Jul	1253	1254	1260	1238
Sep	1273	1274	1275	1256
Dec	1300	1301	1300	1283
Mar	1326	1327	1317	1300
May	1343	1342	1337	1310
Jul	1358	1359	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	79.85	79.90	80.40	79.00
Dec	82.10	82.65	83.25	81.40
Mar	84.35	84.70	85.25	83.50
May	85.20	86.00	86.20	85.05
Jul	86.25	86.86	0	0
Sep	87.40	88.05	88.00	88.00
Dec	91.25	91.25	90.50	90.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	8.75	9.40	9.83	9.34
Mar	10.13	9.85	10.14	6.85
May	10.16	9.95	10.20	9.98
Jul	10.27	10.01	10.30	10.09
Oct	10.30	10.03	10.30	10.15

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	56.93	56.85	56.95	56.30
Dec	58.58	58.30	58.69	57.80
Mar	60.00	59.75	60.05	59.36
May	60.60	60.35	60.60	60.00
Jul	61.45	61.10	61.30	61.10
Oct	61.55	61.20	0	0
Dec	61.75	61.36	61.35	61.22

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	118.40	116.75	118.60	116.60
Nov	120.55	119.00	120.75	118.30
Jan	123.10	121.18	123.30	120.50
Mar	124.75	123.00	124.75	122.50
May	125.45	124.00	124.25	123.00
Jul	125.95	125.00	125.25	125.00
Sep	126.45	125.50	0	0
Nov	126.45	125.50	0	0
Jan	126.45	125.50	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Sep.15	Sep 14	mnth ago	yr ago
1634.4	1636.4	1645.4	1536.7

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 14	Sep 13	mnth ago	yr ago
Spot	121.74	120.82	123.80	119.00
Futures	125.53	126.12	125.16	115.46

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	640/0	630/6	641/4	630/0
Nov	631/4	626/6	635/0	621/4
Jan	636/4	631/6	639/4	627/0
Mar	642/0	607/2	644/6	632/0
May	645/0	639/6	648/4	635/0
Jul	647/4	643/2	650/0	638/0
Aug	645/0	639/0	646/4	637/0
Sep	626/0	626/0	628/0	624/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	22.98	22.88	23.08	22.80
Oct	22.99	22.89	23.13	22.80
Dec	23.18	23.04	23.28	22.94
Jan	23.22	23.10	23.30	23.00
Mar	23.28	23.16	23.38	23.03
May	23.28	23.17	23.35	23.04
Jul	23.24	23.12	23.27	23.02
Aug	23.05	22.85	23.10	22.95

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	199.4	197.0	199.4	194.9
Oct	107.2	196.5	198.0	194.3
Dec	197.4	196.4	198.0	194.5
Jan	197.9	197.2	198.5	195.3
Mar	199.8	199.4	200.5	197.0
May	200.7	200.5	201.3	198.6
Jul	202.3	203.0	202.5	200.0
Aug	201.6	202.0	202.0	200.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	232/6	229/0	233/0	227/4
Dec	236/6	236/6	239/4	234/6
Mar	246/2	244/4	247/0	242/4
May	251/4	249/6	252/0	248/0
Jul	254/4	252/4	254/4	351/0
Sep	249/6	248/4	249/6	248/0
Dec	245/4	245/2	245/6	245/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	296/6	294/2	299/0	293/0
Dec	309/0	305/0	309/4	303/2
Mar	313/0	310/2	314/0	308/2
May	309/2	307/2	310/0	306/0
Jul	302/6	300/6	303/2	299/6
Sep	306/6	304/6	0	0
Dec	316/6	314/6	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	74.000	74.900	75.075	74.550
Dec	75.050	75.175	75.400	74.850
Feb	75.925	75.875	75.950	75.650
Apr	76.600	76.575	76.650	76.350
Jun	73.025	73.000	73.100	72.850
Aug	71.825	71.825	71.850	71.800
Oct	72.625	72.625	72.700	72.525

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	48.875	49.700	49.500	48.650
Dec	47.775	48.850	48.750	47.650
Feb	46.875	47.700	47.550	46.600
Apr	45.250	45.875	45.700	44.950
Jun	48.725	50.075	49.850	49.350
Jul	48.700	49.150	48.850	48.500
Aug	47.300	47.875	0	47.300
Oct	43.600	43.900	43.700	43.600

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	48.550	49.875	49.750	48.250
Mar	48.050	49.350	49.250	47.800
May	49.100	50.350	50.000	48.800
Jul	48.825	50.400	50.200	48.825
Aug	48.825	50.625	48.825	48.825

LONDON STOCK EXCHANGE

Heaviest setback for nearly a year

By Terry Byland, UK Stock Market Editor

DISTURBING news on the progress of inflation and the domestic economy, reflected in heavy falls in British government bond prices, hit the UK stock market hard yesterday, bringing the largest daily fall on the FT-SE 100 Index for nearly 12 months and taking it well below the 3,000 mark captured only at the beginning of last month.

The Footsie fell by 38.6 to 2,989.4, with only a 38.7 points fall in February standing ahead of the 103.4 setback suffered on October 5 last year when currency concerns began to circulate in Europe.

An unexpectedly large rise in the domestic August retail price index cast doubts on the stock market's conviction that inflation has been beaten in the UK.

However, the fall of around 1.3 per cent in the London equity market was inside the bracket of losses on bourses in continental Europe. UK equity strategists remained calm in the face of what was described as controlled selling in the domestic market. Yesterday's fall to the London market was regarded as a correction, rather than a sell-off.

"London performed relatively well against other markets," commented Mr Ian Harnett of Strauss Turnbull, although he added that the latest statistics on domestic retail sales and the retail price index (RPI) were "bad news for equities".

The RPI for August showed a year-on-year rise of 1.7 per cent, against market predictions of plus 1.5 per cent, and gave a severe blow to stock market optimism based on belief that domestic inflation has been conquered and will remain under control. At the same time, an annualised rise of 3.3 per cent in August retail sales, contrasting with hopes for a 3.7 per cent gain, challenged faith in the revival of the domestic economy.

Market strategists expressed particular concern over the heavy setback in bond prices ahead of the impending auction of £3bn of UK government bonds. The indication that domestic inflation may have returned to the investment scene implied "a whole new ball game", according to a leading analyst.

The setback may cause the market professionals to take a fresh look at their year-end forecasts for the Footsie which range from around 2,900 to 3,500, with Nomura heading the list of bulls.

The confidence which took the FT-SE 100 to a trading peak of 3,115 at the end of August has been progressively challenged over the past fortnight as disappointing company results have unsettled a stock market already feeling withdrawal symptoms as US investors appear to have switched attention to other European securities markets.

Weakness in the US dollar, coupled with falls on Wall Street overnight, and also in early trading in yesterday's session, brought setbacks in London's blue chip stocks, which were also unsettled ahead of the expiry of the Footsie future on Friday morning. Attempts to arbitrage between equities and a September futures contract trading briefly at a discount were thwarted by downward pressures on the underlying share prices.

Trading volume increased sharply to 741.8m shares from the 594.7m traded on Tuesday, when retail, or customer, business worth £1.31bn indicated significant profit-taking by the institutions.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Sep 6	Sep 20	Oct 4
Option Declarations:	Sep 16	Sep 30	Oct 14
Last Dealings:	Sep 17	Oct 1	Oct 15
Account Day:	Sep 27	Oct 11	Oct 25

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2989.4 -38.6	3424.1 -34.5	1488.64 -17.46

	Sep 15	Day's change %	Sep 14	Sep 13	Sep 10	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3031.5	3026.5	3021.9	3012.1	3004.9	3000.8	2994.8	2993.2	2988.5	3032.6	2988.0
FT-SE Mid 250	3457.8	3456.1	3449.3	3441.4	3434.3	3430.3	3426.7	3426.0	3424.5	3458.5	3424.1
FT-SE-A 350	1519.9	1517.8	1514.9	1518.7	1507.2	1505.2	1502.8	1502.0	1499.3	1520.3	1498.9

Time of FT-SE 100 high: 8.43am low: 3.40pm

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1978.9	1974.1	1969.4	1964.6	1961.1	1959.8	1959.8	1959.8	1959.8	1959.8	1980.5	-21.0
Health&S	1078.1	1077.6	1077.2	1074.2	1069.6	1068.8	1065.4	1065.9	1066.2	1069.7	1068.2	-8.5
Water	1555.7	1558.5	1552.4	1536.7	1532.1	1532.2	1531.9	1533.2	1535.2	1535.2	1553.7	-18.5
Banks	1850.5	1844.9	1841.3	1838.3	1836.1	1833.9	1830.2	1830.8	1830.4	1834.2	1848.8	-14.6

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. [illegible]

Forecast cuts hit Aerospace

A SPATE of sharp profits downgrades hit British Aerospace, sending the shares plunging after the company reported interim figures at the bottom end of market expectations.

Profits came in at £20m, against a loss of £129m a year earlier, but researchers had anticipated profits around £28m and a slightly higher dividend payment. It was the higher than expected interest paid figures, together with continuing losses at the company's turbo prop operation, that really upset the market and led to the swingeing downgrades from most securities houses.

Dealers rushed to sell the shares, which tumbled 31 to 389p at the day's worst before a small rally late in the session saw them close 26 down at 394p, after heavy trading of nearly 10m.

Mr Chris Avery at Paribas Capital Markets reduced his full-year forecast by £70m to £50m, while Mr Keith Hodgkinson at Lehman Brothers also arrived at the same figure after lowering his previous estimate by £45m. However, both remain positive. NatWest Securities also reduced its forecast by more than 50 per cent, going from £104m to £50m, but said it was maintaining its "long term positive stance".

Ironically it was at the last set of interim figures that shares in BAe were more than halved after the company said it was to make a second-half provision of £1bn.

MGN speculation

Mirror Group Newspapers strengthened 8 to 186p after announcing a sharp rise in first-half results to £69.9m from £15.3m. The results were surrounded by speculation that the 54.8 per cent stake held by the group's administrators – some 220m shares – would be placed yesterday.

Speculation was hotly denied, but a number of media analysts were being unusually tight-lipped, leaving the strong impression that they had been asked to place the shares and had been gagged ahead of the sale. NatWest Securities, which published a large and bullish piece of research on MGN only a month ago, was not responding to calls yesterday and James Capel was uncommunicative.

Senior traders believed that there was "no smoke without fire" and brokers appointed by the administrator Arthur Andersen had been sounding out possible buyers. Later the market latched on to the argument that the stake would be placed at 160p-a-share after an extraordinary meeting of shareholders on September 23.

Storehouse sold

Discouraging remarks from Storehouse over current trading saw stores analysts trimming back their profits forecasts as the shares dropped back in busy turnover of nearly 4m.

The market had been expecting sales growth at BHS and Mothercare to be 5 and 6 per cent respectively. However, the company put the figures at 4 and 5 per cent which, together with warnings of a £6m provision, was enough to prompt a raft of revisions. Storehouse finished 7 cheaper at 222p.

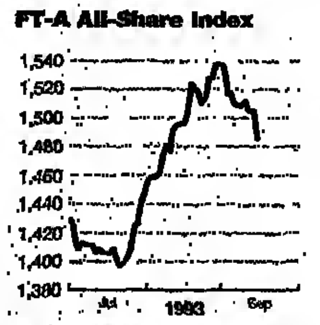
Storehouse's decline was seen as symptomatic of a day the stores sector absorbed the mildly disappointing retail sales figures for August. Several stocks weakened as a result as analysis of the figures showed footwear suffering a reverse and clothing also experiencing a year-on-year decline. Marks and Spencer fell 8½ to 381p, Next rallied to close 2 off at 206½ on 3.5m traded, and Sears slipped 2½ to 112½p. One of the sector's few bright spots was Kingfisher, up 2 at 647p, which basked in positive comments from Tuesday's results, and benefited also from some early switching out of Storehouse.

Florida fears

There was a Florida theme attached to the fortunes of a number of stocks yesterday following the previous day's fallout from the murder of a British tourist in the US state. Rank Organisation chose yesterday to announce a multi-billion dollar extention to its jointly-owned Florida theme park. As well as worries that the state's tourism would be badly hit in the long as well as the short term by Tuesday's events, there were also rumblings of the need for a bumper rights issue to fund the venture. Rank slid 21 to 773p in heavy trade of 1.9m.

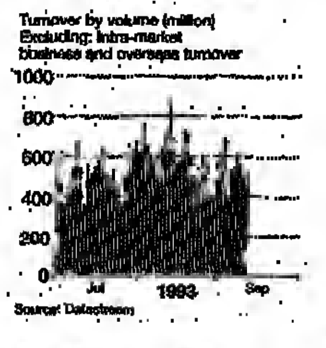
Another casualty was Bass, which owns the Holiday Inn chain. Analysts said the company received sizeable income from its hotels in the Florida region. The stock was also hurt by Allied Lyon's caution on the pace of US economic recovery – as was Grand Metropolitan, off 13 at 418p. Bass finished 13 down at 479p. Scottish and Newcastle, on the other hand, jumped 3 to 483p, on the perceived benefits to its Centre Parcs holiday centres from a decline in visitors to Florida. Hoare Govett was said to be positive on the stock.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

Steel busy

Active trading in British Steel saw turnover jump to 24m after UBS, its broker said it was a buyer of the stock. The shares bucked the poor market trend closing 4 up at 110p, after the securities house which hosted a dinner for the company on Tuesday evening said its move was based on optimism concerning the progress of discussions with the EC on its plans to restructure the steel industry.

A trading statement from Allied Lyons at a meeting of over 100 brewing analysts and institutions received a largely cool reception and the shares dipped in average volume of 3.3m. One analyst said the cautious tone adopted by Allied contrasted with a more bullish view espoused at its recent agm, with the resulting decline in the shares. Allied said that the UK brewing market remained tough and that the recovery in the US was sluggish. Dealers said the fall in the Allied shares, which closed 18 off at 575p, was limited by yield support.

Mining conglomerate RTZ fell 20 to 676p as two securities houses reduced their forecasts for company profits and commodity prices.

Goldman Sachs cut its estimate on copper prices to an average of 80 cents a pound for 1994 against a previous 85. A London spokesman for the US house said the cut was based on an expected slowdown in world demand for copper. Goldman estimated that a 10 per cent fall in copper prices could hit RTZ earnings by £53m.

Maanwhile, Lehman Brothers downgraded its 1993 year earnings forecast for RTZ. Analyst Mr Rob Davies cut his estimate on the group's underlying full-year earnings to 36.7p a share from 39p, and issued a year profit forecast of 28.5p a share based on the new FRS3 accounting standard.

Stocks with heavy exposure to both London and New York suffered particularly badly yesterday. Reuters stood out with a fall of 31 to 1549p in spite of a positive seminar in New York. Shell Transport slumped 11 to 648p and Rothmans International 'B' shares, already suffering from worries over their Footsie status, fell 16½ to 646p.

Realisation that the sector had been left behind coupled with specific factors prompted early morning rallies in pharmaceuticals. But the gains proved unsustainable and most leading pharmaceuticals groups barely held firm. Glaxo was up 14 at best on US buying but closed a penny off at 624p. The US Food and Drugs Administration failed to reach agreement allowing generic companies to make versions of off-patent inhaler treatments for asthma. Agreement would have hit Glaxo's Ventolin and helped Medeva which has a potential rival to Ventolin. Medeva shares fell 9 to 106½p. SmithKline Beecham closed flat at 409p after being up 9 and Wellcome retreated from a high of 730p to 718p, a net fall of 6.

Profit-taking hit the regional electricity companies after a recent good run, Panmure Gordon arguing that the Recs "are at both their absolute and relative all time highs." East Midland declined 8 to 529p as did Yorkshire to 576p.

Oil group Lasmo returned to profit and its shares rose 5½ to 133½p. Mr Simon Flowers of NatWest Securities said Lasmo had set aims six months ago to cut costs, sell assets and refinance the balance sheet and those targets had been "not just matched but exceeded".

NatWest Securities was said to have been the big shopper for Tomkins where the shares hardened 3 to 228p, after trade of 5.3m following a positive if exacting annual meeting at the company.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS [illegible] (4) Albion, Forminster, Jerome, Leeds, TRANSPORT (1) Dawsongroup, WATER (3) Mid Kent, Northumbrian, Wessex.
NEW LOWS (16).
BRITISH FUNDS (6) Treas. 13¾pc '93, Treas. 8½pc '94, Treas. 10pc '94, Treas. 12½pc '94, Treas. 14½pc '94, Treas. 12pc '95, AMERICANS (1) Bowater Inc., CANADIANS (2) Inco, Nova Corp. of Alberta, HEALTH & HSEHOLD (2) Huntingdon, Seton Healthcare, MEDIA (1) Blenheim 6.4pc Pf., MISC (1) FII, OIL & GAS (1) Woodside, OTHER INDLS (1) AAF, MINES (1) Devex.

FINANCIAL TIMES EQUITY INDICES

	Sep 15	Sep 14	Sep 13	Sep 10	Sep 9	Year ago	* High	* Low
Ordinary share	2321.2	2354.1	2354.7	2365.3	2368.7	1718.4	2414.2	2124.7
Ord. div. yield	4.01	3.95	3.95	3.94	3.91	5.08	4.52	3.82
Earning yld % full	4.72	4.65	4.66	4.65	4.61	7.41	6.38	4.51
P/E ratio net	27.04	27.45	27.42	27.46	27.70	17.10	28.30	19.40
P/E ratio nil	24.96	25.34	25.31	25.36	25.59	15.86	26.14	18.14
Gold Mines	155.0	145.4	151.3	159.7	155.1	74.0	240.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2356.2	2350.9	2347.1	2339.3	2334.5	2330.9	2328.2	2325.8	2322.1	2356.9	2319.9

Volume	Sep 16	Sep 14	Sep 13	Sep 10	Sep 9 §	Year ago
SEAQ Bargains	28,904	28,175	30,880	27,518	27,757	22,530
Equity Turnover(£m)†	-	1309.8	1059.3	1368.1	1561.3	1181.0
Equity Bargains†	-	31,052	34,587	31,646	30,375	24,014
Shares traded (mil)†	-	528.0	508.5	581.8	817.7	488.7

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 13¼pc 1993‡‡		101 1/16	-1/16	106	101 1/16	13.58	
8½pc 1994		101	-1/16	102	101	8.41	
14½pc 1994‡‡		106	-1/16	109	104	13.94	
[illegible]							
Undated							
Consols 4pc		63		64	43	7.56	-
War Loan 3½pc‡‡		47		48	38	7.38	-
Conv 3½pc '61 Aft.		68½xd		67	50	5.26	-
Treas 3pc '66 Aft.		39xd		40	33½	7.60	-
Consols 2½pc		34xd		35	28	7.22	-
Treas. 2½pc		33xd		34¼	27	7.43	-

BRITISH FUNDS - Cont. [illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

CROSSWORD

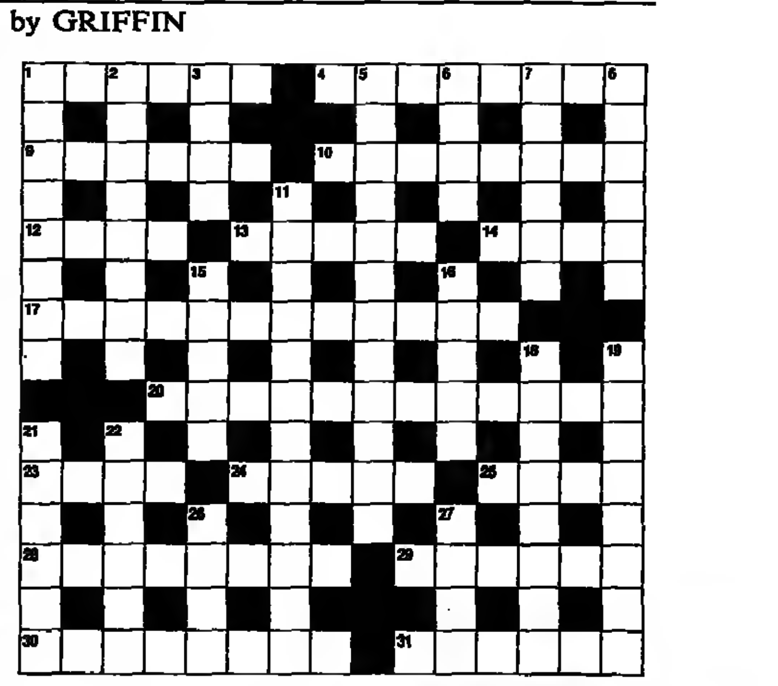
No.8,255 Set by GRIFFIN

ACROSS

1 Outlawed the said musicians (6)
4 Jockey I can't kid without permission! (8)
9 Getting by heartless imitation (8)
10 Travelling to spring fair (8)
12 Swing left, taking it about 50 (4)
13 Performs cup final songs (5)
14 Race around port (4)
17 Approaching in trousers revealing flaws! (12)
20 Doctor Ian Corbett is a childbirth expert (12)
23 Worry if I lost return half (4)
24 Junior master, in love, enters (5)
25 Copper writing back about despicable people (4)
28 Peer that is a good man first (8)
29 Quietly bolt behind a shrub (6)
30 Head office lady is crushing leaves (8)
31 Put by an empty sbed rushed inside (6)

DOWN

1 A black dress on mum causes violent reaction (8)
2 Emperor arrangsd open loan (8)
3 It flies sailors into central Greece (4)
5 I pay tax on his form showing cause of death (12)
6 Fabric firm upset debtor (4)
7 In backing silly CO I display stupidity (6)
8 Lump of messy gunge on tin-opener (6)
11 Murderous when mad this bold Tory ... (12)
15 ... knifes sailor after last night on board (5)
16 Besides making a profit ... (5)
18 ... find 50% discount too much (8)
19 Lively as a pair in the back row! (8)
21 After Lawrence leaves she moves again (6)
22 Driver in tank? (6)
26 Family doctor starts class (4)
27 Court order author Elizabeth to go (4)



JOTTER PAD

Solution 8,254

EQUITY FUTURES AND OPTIONS TRADING

POOR figures on UK inflation, combined with technical trading ahead of tomnrrow's expiry, bronght a sharp retreat in the September Footsie futures contract leaving it to trade at a discount to cash, writes Joel Kibazo.

The initial buying of the September contract faded after the release nf wnrse than expected figures on inflation. Dealers also took this as another sign that a reduction in UK interest rates was unlikely in the near term.

Technical trading continued, although nervously, ahead of Friday'a expiry in both the futures and index traded options. But with the market continuing to drift lower on a combination of the two factors, traders said that there was little in the way of basket trading.

The premium was gently eroded following the inflation figures and at the day's worst September traded at a 10-point discount to tha underlying market.
It closed at 2,986, a 2-point discount tn cash with volume reaching a heavy 18,162 lots. The December contract traded 12,278 lots.

Volnme in the traded options jumped to 55,490, with volume in the FT-SE 100 option which expires on Friday contributing 22,151 contracts. The Euro FT-SE 100 option added another 3,595 to the total and British Steel was the busiest stock option at 3,580 lots. Amstrad recorded over 3,000 contracts.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs.		17½xd	+⅝	20⅞	15⅝	14,541	2.6
Allegheny & W.	♥	499p	+9	722p	399p	285.9	4.0
Amdahl		330p	+15	591p	294p	370.8	1.0
Amer Cyanamid		34½	–¼	38⅝	31¾	3,099	3.4
Amer Express		21¼xd	–⅜	25⅝	14⅞	10,467	3.1
Amer T & T		39xd	–⅛	43¼	33½	62,565	2.6
Ameritech		57½	–⅜	58½	46	25,011	4.4
Anheuser-Busch		21⅞	–⅜	41¼	30⅛	8,596	2.9
BankAmerica		30⅝xd	–¼	38⅛	27⅝	10,954	3.0
Bankers NY		61⅝xd	–1½	54⅞	42⅞	4,168	4.0
Bell Atlantic		41¼	–½	42⅞	32¼	17,974	4.3
BellSouth		39⅞	–⅝	40⅞	32⅞	19,699	4.7
Bethlehem Steel	♥	8⅞xd	+⅛	13¼	8½	775.0	–
Bowater		1267pxd	–23	1682p	1207p	437.4	3.3
CPC		29xd	–⅛	34⅝	35	4,392	3.0
California Engy		1139p		1479p	1085p	207.2	–
Chase Manhattan		22⅞xd	–⅞	24½	17⅞	3,580	3.6
Chrysler		28⅞xd	–½	38⅝	21¼	8,474	1.4
Citicorp		23¼xd	–⅜	23⅞	13¼	8,499	–
Colgate-Palm		34⅞xd	+⅛	45⅝	32	5,488	2.8
Cont'l Bank		1653p		1677p	1278p	1,700	2.4
Dana		80½xd	–⅞	37⅞	29⅞	1,830	3.6
Data General		693p	–11	961p	527p	155.4	–
Decora Inds.	♥	119p		145p	104p	–	–
Dun & Brad		39⅛	–⅞	43⅞	37⅞	6,976	4.2
Eaton		32¼		38½	25⅞	2,243	2.5
Echlin		16⅞xd	–⅛	20½	15⅞	1,074	2.6
FPL		26½xd	+⅛	27⅞	23¼	4,791	6.3
Ford Motor		34⅞xd	–⅝	38½	28⅞	17,157	1.9
Gen Elect		63⅞xd	+1⅜	67⅞	53⅞	54,178	2.7
General Host	♥	456p		723p	456p	–	5.2
Gillette		34⅞xd	–⅞	42⅝	31⅞	7,617	1.8
Hasbro		20⅞		95⅞	20⅞	1,018	8.8
Honeywell		23⅞xd	+⅛	26½	30⅞	4,859	3.6
Houston Inds		30¼		33¼	28¼	3,917	6.6
Ingersoll-Rand		95⅞xd	–⅞	26¼	19⅝	2,857	1.9

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
φ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
[illegible] USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
[illegible] Not officially UK listed; dealings permitted under Rule 535(2)
[illegible] Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
[illegible] Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IIMR 'Headline Earnings' draft proposals. P Figures based on prospectus or other official estimates for 1994. S Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT3185. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	153.1	154.7	162.9	-0.90	0.00
AIB Grofund Equity	5	220.2	223.5	236.5	-4.10	1.29
AIB Grofund Euro	5	179.4	181.2	190.7	+1.30	0.28
AIB Grofund Expt Balanced	5	155.7	[illegible]	112.0	-1.30	1.84
AIB Grofund Gilt	3	78.83	78.88	81.28	-0.18	4.70
AIB Grofund Japan	5	180.4	182.0	191.6	-1.30	0.00

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

هكذا من الأصل

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INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Providence Capitol Life Assc. Co Ltd - Contd.

Alpha Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Alpha	240.9		-1.5	-
US Alpha	121.5		-0.5	-
Gilt Alpha	81.1		-0.2	-
Gold Alpha	79.4		-3.3	-
Japan Alpha	47.1		-	-
US Dollar Alpha	74.3		-3.0	-
Yen Alpha	91.1		-4.1	-
DM Alpha	90.4		+4.0	-
European Alpha	94.8		+0.8	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	161.3		-0.1	-

Provident Mutual Life Assc. Assn.

8 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	437.2	460.2	-1.2	-
Managed Inc	306.7	322.8	-1	-
Equity Ord	652.7	687.1	-2.7	-
Equity Intl	458.0	482.1	-1.9	-
Index Linked Gilt Ord	305.2	319.0	-1.4	-
Index Linked Gilt Intl	150.4	158.3	-1	-
Overseas Equity Ord	355.0	373.7	-0.9	-
Overseas Equity Intl	249.1	262.2	-0.8	-
Property Ord	233.6	245.9	-0.1	-
Property Intl	163.9	172.5		-

Save & Prosper Group (z)

16-22 Western Rd, Romford RM1 3LB 0708-766966

	Bid Price	Offer Price	+ or -	Yield Gross
A.G. Bond Fd	140.6	148.0	-0.1	-
Bal Inv Fd	697.5	738.1	+0.6	-
Deposit Fd†	353.9	374.5	+0.3	-
Directors' Portfolio	76.2	80.7	+0.3	-
Equity Pens Fd	175.6	185.9	-0.2	-
European Mngd Fd	61.2	64.8		-
Gilt Fd	514.7	544.7	-0.8	-
Gilt Pens Fd	141.5	149.8	-0.7	-
Global Equity Fd	216.7	229.4		-
Global Eq Pens Fd	205.6	217.6		-
High Inl Pens Fd†	129.4	181.0		-
Japanese Mngd Fd	74.9	79.3	-0.2	-
Managed Income Fd	50.3	53.3	-0.1	4.82
Man Pens Fd	178.6	189.1	-0.1	-
North American Mngd Fd	66.6	70.5	-0.1	-
Pacific Mngd Fd	61.7	77.7	-0.1	-
Property Fd*	89.4	94.7		-
Prop Pens Fd*	114.7	121.4		-
Trustee Linked Managed	206.0	218.0	-0.1	-
UK Capital Portfolio	58.3	61.7	+0.2	-
UK Managed Gth Fd	56.7	60.1		-

†Weekly dealings. *Fortnightly dealings

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	427.5	450.0	-5.10	-
Equity	536.9	565.2	-6.50	-

Sun Alliance Group - Contd.

Woolwich Life Assurance Co Ltd

1-3 Gatesway, Redhill, Surrey RH1 1NH

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fd		146.6		

Zurich Life Assurance Co Ltd

11 Guildhall Walk, Portsmouth PO1 2LR

	Bid Price	Offer Price	+ or -	Yield Gross
UK Managed	156.5	164.7		
International	163.7	172.3		
Swiss	180.6	190.5		
UK Equity	161.9	170.4		
UK Gilt & Fixed Int	145.5	153.2		
Security	134.0	141.1		
Guaranteed Deposit	123.4	129.9		

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Victory Hse, Prospect Hill, Douglas, IoM

	Bid Price	Offer Price	+ or -	Yield Gross
European Equity	105.0	112.8		
Far Eastern Equity	$1.686	1.814		
North American Equity	$1.054	1.133		
UK Gilt & Fixed Int	101.1	108.7		

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Bank Von Ernst & Cie AG - Contd.

Banque Scandinave a Luxembourg SA

INVESCO International Limited - Contd.

Jupiter Tyndall Global Fund

LUXEMBOURG (REGULATED)(**)

Atlantas Sicav

BAII International Fund

Banque Ferrier Lullin (Lux) SA

Banque Indosuez Luxembourg

Banque Paribas Luxembourg

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

Norit Currency Fund

Pacific Basin Growth Fund

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CDC International

Pacific Growth Fund

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bond falls hit currencies

BOTH the US dollar and sterling fell sharply against the the D-Mark yesterday as their respective bond markets suffered sudden and sharp declines, *writes James Blitz.*

Both of the anglo-saxon currencies have been afflicted by the same problem in the last two days. Unexpectedly high inflation figures have made dealers think that short term interest rates in the US and UK will go no lower, and may even rise. This has lowered the attraction for investment at the "long end," in UK gilts and US Treasury bonds.

In the US, Tuesday's consumer price index showed a rise of 0.3 per cent in August, against expectations of a 0.1 per cent increase.

Yesterday, UK figures showed that the retail price index for August had risen 1.7 per cent in the previous year from 1.4 per cent in the year to July. Expectations had been for an August figure of 1.5 per cent.

In time, the prospect of firmer rates in the UK and US may give the dollar and sterling a boost because of the higher return on short-term investment. But yesterday, there was substantial selling in the gilts and UK Treasury markets and both currencies fell as dealers liquidated positions.

The dollar closed at DM1.5930, more than a pfennig down on the day. Sterling closed at DM2.4725, 1¼ pfennigs lower. The pound closed at $1.5515 against the US currency from a previous $1.5465.

The fall in US treasuries started a bandwagon effect in Europe. As dealers sold dollars for D-Marks, the German currency appreciated against currencies in the exchange rate mechanism.

The French franc closed unchanged at FFr3.487 against the D-Mark, although it had visited FFr3.4962 at one stage. The Belgian franc also depreciated on the same day that the authorities in Belgium marginally cut interest rates.

In spite of some easing in French and Belgian monetary policy in recent days, there were signs that dealers were becoming frustrated by the high level of European rates.

Despite yesterday's cut in Belgian rates, some Belgian franc interest rate futures contracts were unchanged and others sharply depressed. The fall in French franc interest rate futures in recent days is also a sign that the currency could court unpopularity with foreign exchange dealers.

The Japanese yen traded erratically against the dollar as dealers waited for news of the Japanese fiscal stimulus, due on Thursday in Asia.

At the start of trading, the yen was somewhat stronger, appreciating to a high of the day of Y105.53, amid indications that the fiscal package could be in the order of 6 trillion yen rather than 5 trillion. But the yen later lost ground, closing at Y106.25 from a previous Y105.80. Mr Jeremy Hawkins, economic adviser at Bank of America said dealers may have been buying on the rumour of a big fiscal package and selling on the fact of it.

£ IN NEW YORK

Sep 15	Latest	Previous Close
£ Spot	1.5505-1.5515	1.5450 1.5460
1 month	0.39-0.37pm	0.39 0.37pm
3 months	1.07-1.05pm	1.07 1.04pm
12 months	3.40-3.32pm	3.27 3.17pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 15	Previous
8.30 am	81.1	81.2
9.00 am	81.8	81.2
10.00 am	80.9	81.1
11.00 am	80.9	81.2
Noon	80.9	81.2
1.00 pm	80.9	81.2
2.00 pm	81.1	81.2
3.00 pm	81.1	81.1
4.00 pm	81.2	81.2

CURRENCY RATES

Sep 15	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.922030	0.775731
US Dollar	3.00	1.42002	1.19033
Canadian $	4.93	1.37670	1.57326
Austrian Sch	5.75	16.1559	13.5031
Belgian Franc	6.50	NA	41.0864
Danish Krone	9.25	NA	7.86404
D-Mark	6.25	2.23475	1.91503
Dutch Guilder	6.50	2.57050	2.15044
French Franc	-	7.97273	6.67560
Italian Lira	8.5	2181.51	1232.72
Japanese Yen	2.50	150.025	125.278
Norway Krone	-	NA	8.33173
Spanish Peseta	-	NA	153.385
Swedish Krona	11.50	NA	9.36251
Swiss Franc	4.50	NA	1.57351
Greek Drach	19	NA	275.059
Irish Punt	-	NA	0.825179

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Sep 14

CURRENCY MOVEMENTS

Sep 15	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	81.2	-28.45
U.S. Dollar	64.8	-13.18
Canadian Dollar	91.1	-11.20
Austrian Schilling	115.2	+16.79
Belgian Franc	112.3	-2.09
Danish Krone	112.4	+6.51
D-Mark	126.4	+33.43
Swiss Franc	116.7	+25.70
Dutch Guilder	121.0	+22.65
French Franc	107.7	-8.42
Lira	79.6	-34.82
Yen	179.1	+122.55
Peseta	86.6	-31.90

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Sep 14

OTHER CURRENCIES

Sep 15	£	$
Argentina	1.5545 - 1.5560	1.0010 - 1.0020
Australia	2.3970 - 2.3990	1.5440 - 1.5450
Brazil	153.360 - 153.365	98.7500 - 98.7510
Finland	8.8155 - 8.8675	5.6675 - 5.6875
Greece	351.900 - 359.100	228.700 - 232.900
Hong Kong	12.0140 - 12.0265	7.7350 - 7.7360
Iran	2439.00 - 2445.00	1583.00 - 1585.00
Korea(Sth)	1238.00 - 1257.95	805.60 - 812.00
Kuwait	0.46400 - 0.46500	0.29800 - 0.29850
Luxembourg	52.90 - 53.00	34.10 - 34.20
Malaysia	3.9450 - 3.9525	2.5435 - 2.5445
Mexico	4.8275 - 4.8305	3.1085 - 3.1105
N.Zealand	2.8100 - 2.8140	1.8085 - 1.8120
Saudi Ar	5.8200 - 5.8315	3.7495 - 3.7505
Singapore	2.4770 - 2.4835	1.5970 - 1.5980
S.Af (Cm)	5.2770 - 5.2880	3.4000 - 3.4015
S.Af (Fn)	7.3770 - 7.4235	4.7500 - 4.7800
Taiwan	41.80 - 41.95	26.90 - 27.00
U.A.E.	5.6920 - 5.7075	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 15	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.15044	-2.11	8.02	-
D-Mark	1.94964	1.91503	-1.78	7.65	-
Spanish Peseta	154.250	153.385	-0.57	6.36	4
Portuguese Escudo	192.854	195.490	1.37	4.22	-9
Irish Punt	0.808628	0.825179	2.05	3.62	-14
French Franc	6.53833	6.67560	2.09	3.58	-16
Belgian Franc	40.2123	41.0864	2.17	3.50	-16
Danish Krone	7.43679	7.86404	5.75	0.00	-39

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads, the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5375 - 1.5560	1.5510 - 1.5520	0.39-0.37cpm	2.94	1.08-1.05pm	2.75
Canada	2.0300 - 2.0430	2.0350 - 2.0360	0.29-0.22cpm	1.50	0.61-0.46cpm	1.05
Netherlands	2.7630 - 2.7945	2.7700 - 2.7800	par-⅛cdis	-0.54	⅛-⅜dis	-0.36
Belgium	52.75 - 53.15	52.90 - 53.00	17½-23cdis	-4.59	40-49dis	-3.36
Denmark	10.1140 - 10.2250	10.1375 - 10.1475	4-5½oredis	-5.62	10-13dis	-4.54
Ireland	1.0605 - 1.0690	1.0655 - 1.0665	0.07-0.09cdis	-0.90	0.17-0.22dis	-0.73
Germany	2.4645 - 2.4880	2.4700 - 2.4750	¼-¼pfdis	-0.91	⅝-⅞dis	-0.81
Portugal	251.60 - 253.30	252.30 - 253.30	99-106cdis	-4.84	301-321dis	-4.92
Spain	197.00 - 199.25	198.80 - 199.18	70-82cdis	-4.58	183-210dis	-4.00

FINANCIAL FUTURES AND OPTIONS

Dec	111-17	113-12	111-09	113-10

Estimated volume 124824 (71877)
Previous day's open int. 88824 (83481)

6% NOTIONAL GERMAN GOVT. BOND * DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	98.10	98.51	98.12	98.43
Mar	98.23	98.49	98.30	98.46

Estimated volume 87874 (67253)
Previous day's open int. 149002 (145558)

6% NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL) DM250,000 100ths of 100% *

	Close	High	Low	Prev.
Dec	101.08	101.30	101.06	101.23
Mar				

Estimated volume 2717 (2362)
Previous day's open int. 14029 (14579)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Dec	110.84	111.11	110.81
Mar	110.34		

Estimated volume 1119 (2355)
Traded exclusively on APT

12% NOTIONAL ITALIAN GOVT. BOND (BTP) * LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Dec	112.92	114.23	112.49	114.10
Mar	112.62	113.56	112.80	113.84

Estimated volume 42277 (22538)
Previous day's open int. 62288 (61398)

10% NOTIONAL SPANISH GOVT. BOND (BONOS) Pta 20m 100ths of 100%

	Close	High	Low	Prev.
N				
A				
N				
A				

Estimated volume 0 (0)
Previous day's open int. 0 (0)

THREE MONTH STERLING * £500,000 points of 100%

	Close	High	Low	Prev.
Sep	94.05	94.05	94.03	94.03

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	97.02	97.02	97.01	97.02
Dec	96.85	96.87	96.84	96.93
Mar	96.65	96.70	96.64	96.79
Jun	96.57	96.57	96.52	96.63

BRITISH POUND (IMM) $s per £

	Latest	High	Low	Prev.
Dec	1.5338	1.5430	1.5290	1.5342
Mar	1.5310	1.5340	1.5240	1.5260
Sep	-	-	-	-

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7176	0.7190	0.7095	0.7032
Mar	0.7150	0.7175	0.7130	0.7073
Sep	-	-	-	0.7063

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar
1.475	7.40	7.69	7.63	8.53
1.500	5.36	5.94	0.02	7.05
1.525	3.57	4.24	4.54	5.75
1.550	2.19	2.94	3.32	4.62
1.575	1.26	1.99	2.41	3.67
1.600	0.66	1.23	1.67	2.57
1.625	0.33	0.81	1.12	2.25

Previous day's open int: Calls 531,323 Puts 496,4..
Previous day's volume: Calls 29,024 Puts 20,460

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
121	-	2.03	-	0.02	0.34	-
122	-	1.38	-	0.11	0.62	-
123	0.24	0.79	-	0.50	1.05	-
124	0.06	0.44	-	1.28	-	-
125	0.01	0.22	2.41	-	-	-
Open Int	55,753	182,032	26,210	38,335	156,757	19,223

Estimated volume 73,148 † Total Open Interest 478,590
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	* (In administration)	
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of India	6	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Sterling futures drop

STERLING interest rate futures fell sharply yesterday following a surprisingly large rise in the retail prices index in August, *writes James Blitz.*

In the 12 months to August, the RPI increased 1.7 per cent from 1.4 per cent in the year to July. The year-on-year figure for last month was the highest since March, and raised speculation that UK base rates would not be cut so quickly.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The revised expectations were most noticeable in the sterling interest rate futures market, which effectively dismissed any possibility of rates being eased by the end of the year.

The December contract fell 10 basis points to close at 94.19 and the March 1994 contract also dropped 10 basis points to close at 94.28. Both of these prices were compatible with rates remaining unchanged next year.

In the cash market, 3 month money firmed upwards to close at 5⅞ per cent from a previous 5¾ per cent.

Conditions in the German cash market eased considerably yesterday after the Bundesbank added substantially more liquidity in its weekly money market operations than dealers had expected.

German call money has been at very high levels in recent days because commercial banks were unwilling to borrow funds in last week's money market operation, anticipating that a discount rate cut would bring cheaper money.

Yesterday, the central bank surprised dealers by adding a great deal more liquidity than had been expected. A net DM24.4bn was injected, against expectations of, at best, DM20bn. The Bundesbank only needed to accept 55 per cent of the bids made by the banks, such was the enthusiasm for funds.

Call money consequently fell sharply to close at around 6.75 per cent from a previous 7.25 per cent.

The December Euromark contract was barely changed, falling 1 basis point to close at 93.92.

French franc interest rates were a great deal more depressed, however, as dealers continued to take the view that France would only lower its official interest rates very slowly.

The December Pibor contract dropped 7 basis points to close at 93.38, despite a relatively robust performance by the French currency.

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close September 15

INDICES

NEW YORK

DOW JONES	Sep 14	Sep 13	Sep 10	Sep 9	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3615.76	3634.21	3621.63	3588.49	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	109.34	109.69	109.26	109.14	109.69 (13/9)	103.49 (11/1)	109.69 (13/9/93)	54.99 (1/10/81)
Transport	1672.53	1634.78	1611.46	1603.56	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	255.14	258.46	256.06	254.02	258.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3639.51 (3665.16) Low 3580.61 (3607.68) (Theoretical♣)
Day's High 3632.61 (3638.96) Low 3607.10 (3621.58) (Actual♣)

STANDARD AND POOR'S

	Sep 14	Sep 13	Sep 10	Sep 9	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	459.90	462.06	461.72	457.50	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials♥	517.48	519.26	519.37	515.17	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	47.70	48.10	48.24	47.87	48.24 (10/9)	39.89 (8/1)	48.24 (10/9/93)	8.64 (1/10/74)
NYSE Composite	254.97	256.06	255.93	253.74	256.88 (31/8)	238.21 (8/1)	256.88 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	452.76	454.30	468.06	458.38	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	732.84	740.32	744.31	737.71	749.71 (3/9)	645.87 (26/4)	749.71 (3/9/93)	54.87 (31/10/72)

	Sep 10	Sep 9	Aug 27	year ago (approx.)
Dow Industrial Div. Yield	2.81	2.80	2.80	3.12

	Sep 9	Sep 1	Aug 25	year ago (approx.)
S & P Industrial div. yield	2.49	2.45	2.46	2.63
S & P Indl. P/E ratio	27.57	28.07	27.86	27.52

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Royal D Pet	17,757,600	100⅛	- 1
Home Depot	7,583,800	36¼	- 4
Coca-Cola	4,966,100	22¼	—
Crown Cork	3,277,100	34¾	+ ¼
Merck	2,886,600	32⅛	+ ¼
Compaq	2,342,300	58½	+ 3¼
Chrysler	2,102,800	44⅝	- ⅞
Wal-Mart	2,085,300	24⅛	- ¼
Telefonds	2,074,300	51⅝	- ⅝
Baxter Int	2,006,800	21⅞	+ ⅞

TRADING ACTIVITY

† Volume (Millions)	Sep 14	Sep 13	Sep 10
New York SE	258.621	243.429	288.464
NASDAQ	266.745	230.394	254.196
NYSE			
Issues Traded	2,598	2,617	2,610
Rises	679	1,035	1,332
Falls	1,332	973	654
Unchanged	587	609	624
New Highs	71	157	132
New Lows	24	24	14

CANADA

TORONTO	Sep 14	Sep 13	Sep 10	Sep 9	1993 HIGH	1993 LOW
Metals & Minerals	2966.90	3001.64	3019.55	3024.62	3140.94 (16/8)	2743.31 (21/1)
Composite	3972.10	3971.80	4001.89	4009.32	4143.70 (1/9)	3275.80 (21/1)
MONTREAL Portfolio	1893.15	1894.22	1896.53	1906.63	1969.55 (1/9)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD						
M.S. Capital Intl.(1/1/70) $	597.2*	598.9	600.7	598.2	605.30 (6/9)	486.60 (13/1)
Euro Top-100 (26/6/90)	1078.08	1087.25	1093.08	1091.22	1133.15 (30/8)	882.73 (13/1)

**Saturday September 11: Taiwan Weighted Price; 3874.85, Korea Comp Ex; 696.61.
♥ Subject to official recalculation.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, September 14, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	8.5m	27	+3	Marui	3.1m	1,860	+30
Nippon Steel	7.0m	348	-1	Mitsubishi Motor	3.0m	805	+5
NEC Corp	4.9m	990	-10	Nikko Kyodo Co	2.7m	501	-8
Matsushita E Ind	3.4m	1,470		NKK Corp	2.7m	285	-4
Mitsubishi Elec	3.4m	589	-17	Sanwa Shutter	2.6m	1,110	+60

4 pm close September 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR Corp	0.48	3.7	43	49	13	12⅞	12⅞	-⅛
29⅞	13¾	A L Labs A	0.18	1.9	37	474	18⅞	18¼	18⅞	+½
68⅛	54⅝	AMP Inc	1.60	2.4	23	1688	65⅜	64⅛	65⅜	+⅞
72¾	55½	AMR			16	3308	64⅝	63¾	64½	+⅛
3½	1⅞	ARX			13	103	d3½	3⅜	3½	
51½	29⅞	ASA	2.00	5.0	28	702	40¼	39½	40	+¾
30¾	22⅝	Abbott Lab	0.50	2.5	17	9458	27	26¾	27	+¼
12⅝	9¼	Abitibi Pr	0.50	5.4	4	6	9⅜	d9¼	9¼	
15¾	8¾	Acptncetc			44	12	14⅛	14	14⅛	+⅛
39	25½	ACE Ltd	0.40	1.2		824	33⅞	33½	33¾	+⅛
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Continued on next page

4 pm close September 15

NYSE COMPOSITE PRICES

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng Prev. Close
		Continued from previous page								
		- S -								
22	15½	S Anita Rt	1.36	7.8	16	134	17⅞	17¾	17⅞	+⅛
20¾	14⅞	SCOR US Cp	0.32	2.0	200	12	10	16	16	-⅛
29¾	20	SPS Techno	1.28	4.8	10	18	26⅞	26⅝	26⅝	-⅛
14⅞	12⅞	Sabine Rlt x	1.74	11.8	10	116	ⅱ15	14¾	15	+⅛
13¾	8⅞	Safecard	0.20	1.5	12	232	13	15⅞	12⅞	-⅛
23½	16⅞	Safeg'd Sc			0	65	20⅞	20½	20⅞	+⅜
24¾	14⅜	SafetyKln s	0.36	2.2	24	1670	15⅝	15⅞	16	+⅛
19¼	10⅞	Safeway			28	798	18¾	18⅜	18⅝	-¼
4¾	2	Safeway Wt96				86	4⅛	4	4	-⅛
55	31½	StJoePaper	0.20	0.4	139	68	48⅛	47½	47½	-¾
37⅞	31	StJoeLAP	1.76	4.7	15	11	37¾	37⅜	37⅝	-¼
94	75	St Paul's	2.80	3.0	15	522	93⅜	91⅞	93¼	+1¼
11⅝	7⅞	Salant Cp			4	38	8⅞	8⅛	8⅞	+⅛
75¼	39⅞	Sallie Mae	1.20	2.7	8	3202	45½	44⅞	45	-½
14¼	13	Salomon Br	0.32	2.3		1037	13⅞	13⅝	13⅞	
51⅞	34	Salomoninc	0.64	1.3	15	4861	50⅞	49⅜	50⅞	+⅜
27¾	23¼	SanDgo G&E	1.48	5.5	14	287	26⅞	26¾	26⅞	+⅛
5	3½	SantaFeEDu	0.40	8.2	46	257	05	4⅞	4⅞	-⅛
11⅞	9⅛	SantaFeERs	0.16	1.6	500	5849	16¼	9⅞	10	-¼
40⅝	35¾	SantaFePac	2.80	7.2	13	52	38⅞	37⅞	38⅞	+⅜
19	12¾	SantaFPac	0.10	0.6	11	3714	18⅛	17¾	18	-¼
31⅛	21	Sara Lee	0.60	2.2	10	4446	25⅞	25	25⅞	+¼
21⅞	40⅛	Scana Corp	2.74	5.4	15	131	51¼	31	31⅛	
25¾	21½	Scecorp	1.42	5.6	15	4232	25⅜	24⅞	25⅜	+⅜
36⅞	23⅞	ScheranRP			24	1279	30	29¾	29⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NASDAQ NATIONAL MARKET

4 pm close September 15

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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AMEX COMPOSITE PRICES

4 pm close September 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICA

Fresh declines in bond prices weaken Dow

Wall Street

FRESH declines in bond prices sparked another round of selling on US stock markets yesterday, although an early afternoon rally helped blue chip prices to stage a brief rally, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 8.94 at 3,607.66. The more broadly based Standard & Poor's 500 was 0.54 lower at 459.36, while the Amex composite was down 0.05 at 452.71, and the Nasdaq composite up 1.72 at 734.36. Trading volume on the NYSE was 161m shares by 1 pm.

For the second straight day, worries about inflation – sparked by an unexpectedly strong August consumer price index figure – prompted heavy selling of Treasury bonds, which in turn prompted selling of stocks. On Tuesday, the 30-year bond fell by one and a half points and the Dow dropped 18.45.

Yesterday morning, the 30-year bond fell another point, and the Dow quickly dropped 20, sending the index below 3,600 for only the second time in a month.

Analysts said that investors were selling stock and bonds not just because they are worried about inflation, but also because the inflation data gives them an excuse to take some of the profits earned in this summer's rally, and to let out some of the pressure in stock and bond markets that have been looking overbought in recent weeks.

Sentiment was not helped by declines on foreign markets, including Frankfurt, Paris and London. Stocks, however, did stage an early afternoon rally as bonds recovered some of their losses, allowing the Dow to bounce back above 3,600.

Walt Disney was the market's most active issue, falling \$2½ to \$38½ in volume of 3.8m shares after the Wall Street securities house Goldman Sachs cut its forecast for the entertainment group's 1993 fiscal year, warning that recent violent attacks on tourists visiting Florida could hurt attendance at Disneyworld.

Federal Express firmed \$3¼ to \$58½ on news of stronger-than-expected fiscal first quarter profits of 60 cents a share.

Leading technology stocks were strong, except for Digital Equipment, which ran into heavy selling and dropped \$1½ to \$38¼ in volume of 1.5m shares. Going the other way were Motorola, up \$3¾ at \$93½, Hewlett-Packard, up \$¾ at \$69¼ and Compaq, \$¾ firmer at \$56¾.

Schering-Plough climbed \$¾ to \$62¼ after investment bank SG Warburg raised its rating on the stock from "add" to "buy", noting that the company is in a better position relative to its competitors in terms of currency exposure and its reliance upon drugs for the elderly.

On the Nasdaq market, technology stocks were mostly firmer, with Intel up \$1 at \$64¼ and Microsoft \$1 higher at \$76¼.

Canada

TORONTO remained lower at midday as general weakness in the market outpaced gains the gold sector. The TSE-300 index was 14.04 easier at 3,958.08 in turnover of C\$304.6m.

Athens dips after government resigns

By John Pitt

The resignation of the Greek government last week and the subsequent decision to call an election for October 10 led to an immediate flight out of equities in Athens.

The selling has since stabilised, but last Thursday's sharp decline saw the market record the largest fall on the week, in dollar terms, among the indices included in the IFC's table.

In spite of the decline, Carnegie International's Greek analysts remain reasonably confident about the future direction of equities.

"The present consensus is that the index might move down as low as 750 [it is currently moving in the 765 area] before consistent buying interest returns," they comment. "The banking sector, however, is likely to remain weak as questions are now being raised over whether the Commercial Bank's outstanding rights issue will be fully taken up; while Credit Bank's capital increase is once again hanging in the balance."

The downtrend in Greece was the only negative factor in an otherwise strong European region, with Turkey once more impressing investors with the week's best gain.

Trading activity in Istanbul has been fuelled by a regulation approved last month making mutual funds tradeable on the stock market. Schroder Securities currently forecasts a continuation of the rally, with occasional dips for profit-taking, and sees the index advancing to the 14,000 to 15,000 region by the year-end, from the present 13,000 level.

Latin America's emerging markets were relatively subdued last week, with only Brazil and, to a lesser extent, Argentina standing out.

Meanwhile, Mexico has been steadily losing ground over worries surrounding the successful passage through the US congress of the North American Free Trade Agreement. While President Bill Clinton has expressed his full support for the agreement, and many observers expect it to come into force, as planned, by January, certain doubts remain in some investors' minds.

Although Peru is not included among the IFC data, the equity market there has, according to Latin American Securities in London, been the second best performer in dollar terms this year to date after Brazil with a rise of some 90 per cent.

Latin American Securities says that one of the significant features of the Peru stock market has been its improved liquidity this year, with some 20 companies having a trading frequency of 90 per cent, compared with just 10 at the end of 1992.

Among the Asian markets, Malaysia fell back throughout the week, although it still shows a good performance over the year to date. In a recent review of the market, Wardley James Capel forecasts that Malaysia will continue to attract overseas funds, given the growth in second-quarter GDP (around 10 per cent) and the good interim results. Most analysts expect the bull run to continue ahead of the October budget.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Sep 10 1993	% Change over week	% Change on Dec '92	Local currency terms Sep 10 1993	% Change over week	% Change on Dec '92
Latin America							
Argentina	(11)	728.99	+2.0	+25.7	447,326.97	+2.0	+25.9
Brazil	(44)	233.43	+5.0	+86.7	33,201,768.36	+9.5	+1,492.1
Chile	(20)	435.13	+0.1	+4.0	709.27	-0.3	+10.8
Colombia[1]	(8)	484.12	+0.9	+13.9	693.95	+1.2	+13.5
Mexico	(58)	731.58	-0.5	-8.2	981.36	-0.6	-8.1
Venezuela[2]	(6)	475.91	-2.1	-8.4	1,033.43	-1.5	+18.2
East Asia							
South Korea[3]	(130)	95.46	+2.3	-2.8	101.29	+2.3	-4.4
Philippines	(11)	189.76	+3.2	+42.1	253.48	+3.2	+50.5
Taiwan, China[4]	(76)	80.84	+1.3	+8.6	80.94	+1.2	+9.1
South Asia							
India[5]	(61)	81.35	+1.3	-2.5	101.02	+1.2	+5.8
Indonesia[6]	(31)	87.38	+3.8	+65.9	111.21	+3.8	+69.1
Malaysia	(61)	235.24	-2.4	+43.3	220.81	-2.6	+39.9
Pakistan[7]	(8)	219.44	+0.4	+9.6	296.48	+0.4	+27.2
Thailand	(52)	277.05	+0.6	+20.3	276.77	+0.7	+19.7
Euro/Mid East							
Greece	(17)	226.20	-8.1	+15.8	352.42	-7.8	+24.8
Jordan	(5)	159.53	+2.6	+36.5	226.42	+2.1	+38.5
Portugal	(16)	114.53	+3.9	+48.5	128.50	+1.4	+64.3
Turkey[8]	(31)	154.82	+12.0	+131.5	846.13	+11.4	+215.5

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1984=100 except those noted which are: (1)Feb 1 1991; (2)Jan 5 1990; (3)Jan 3 1992; (4)Jan 4 1991; (5)Nov 6 1992; (6)Sep 28 1990; (7)Mar 1 1991; (8)Aug 4 1989

ASIA PACIFIC

Selling wave leaves Taiwan at 7-month low

MANY OF the Pacific Rim markets continued to display weakness in the absence of Tokyo, which was closed for a public holiday.

TAIWAN closed at a seven-month low on a wave of late selling after the weighted index broke below a support level of 3,800 points.

The index fell 44.4, or 1.2 per cent, to 3,782.10, its lowest finish since the 3,775.19 recorded on February 12. Turnover, at T\$9.81bn, remained very thin but exceeded the T\$9.34bn registered on Tuesday.

Sharp falls were seen in finance and electronic shares, sectors which had declined relatively slowly during the market's correction in the past few months.

AUSTRALIA continued its downward correction, dragged lower by a weaker Wall Street, hectic futures trading and a heavy fall in News Corp. However, a firmer golds sector, after bullion prices improved overnight, helped to cushion falls in key stocks.

The All Ordinaries index finished 9.3 down at 1,903.6 in light turnover of A\$422m.

A 42-cent drop in the recently strong News Corp to \$A10.16 helped to drag the All Industrials index 18.3 lower to 3,002.4, while the All Resources index shed 2.2 to 1,061.3.

Elsewhere in the media sector, Telecasters North Queensland jumped 20 cents to \$A2.10 on the back of the Ten Group's rise in annual net profits, announced on Tuesday, and its own pre-tax return to the black. TNQ is part of a consortium which owns Ten Group.

The gold shares marker recovered 40.8 to 1,743.8 after suffering a setback of about 180 points over the previous two days.

Plutonic advanced 20 cents to A\$6.20, while Placer Pacific and Homestake each gained 10 cents at A\$2.60 and A\$1.48 respectively.

NEW ZEALAND declined for the fourth consecutive day, led down by forestry issues, but brokers were unable to pinpoint specific reasons for the fall. The NZSE-40 index lost 14.17 at 1,949.05, making a 50-point drop since last Wednesday's close.

MANILA finished mixed, but some analysts believed it still looked set for another climb, after Tuesday's profit-taking. The Manila index eased 2.24 to 1,952.16.

Manila Electric "B" shares rose 5 pesos to 277.50 pesos and ABS-CBN, the broadcaster, put on 1 peso at 62.50 pesos. PLDT slipped 20 pesos to 1,360 pesos following an overnight fall on Wall Street.

SEOUL suffered a day of lethargic and cautious trading, which left the composite index 3.93 lower at 691.44.

Rumours that smaller companies might default on debt obligations also sparked a sell-off in low-priced shares.

HONG KONG was firmer, although shares lost most of their morning gains on profit-taking spurred by political and regulatory concerns. The Hang Seng index finished 14.92 higher at 7,488.77. It was up 67.17 points earlier.

The market was unsettled by worries that attitudes were hardening in the Sino-British talks in Beijing and by reports that the Commercial Crime Bureau had raided a number of companies as part of an investigation of the Allied Group.

Allied Group ended 9 cents down at HK\$1.02, Allied Properties lost 15 cents to HK\$1.48 and Allied Industries shed 10 cents to 81 cents.

Utilities led a blue-chip surge in the morning before falling back. China Light closed 25 cents up at HK\$42 and HK Telecom gained 10 cents at HK\$12.40. HSBC rose 50 cents to HK\$82 and Jardine Matheson also 50 cents to HK\$14.92.

SINGAPORE was sent lower by profit-taking in highly speculative Malaysian shares which have risen sharply recently. The Straits Times Industrial index retreated 11.14 to 2,001.35.

BOMBAY relinquished its early gains on profit-taking and the BSE 30-share index finished 7.16 lower at 2,800.48.

EUROPE

Weak \$ unsettles trading in Continental centres

THE US dollar exerted its influence on bourses, while sporadic profit-taking also contributed to weaker prices yesterday, *writes Our Markets Staff.*

PARIS retreated late in the day, with the CAC-40 index ending 55.63, or 2.6 per cent, down at 2,078.51 in turnover of some FFr4bn.

Mr Ian Furnivall, an analyst at the Paris office of Hoare Govett, commented that while yesterday's decline was partly the result of profit-taking, there was a general feeling that the French government was being unduly intransigent in not easing monetary policy following the Bundesbank's recent move. Another factor affecting sentiment, he said, was the recent bad set of interim results, further emphasised by disappointing figures from Chargeurs after the close of trading. He said that he would not be surprised if the index fell below the 2,000 level in the next couple of weeks.

Among the day's declines Chargeurs lost FFr23 to FFr1,151 ahead of its results, while Alcatel shed FFr16 to FFr723, BSN FFr28 to FFr893 and Elf Aquitaine FFr15.40 to FFr395.90.

FRANKFURT saw nervous trading as the weaker dollar again affected overall sentiment. The DAX index closed down 20.18 or 1 per cent at 1,860.39. Turnover was DM5.4bn.

Some market observers noted that US institutional funds may have been moving out of German stocks, but the underlying trend remained firm if cautious.

Mr Michael Geiger of NatWest Securities in London commented that the market remained in a consolidation phase and he saw no reason to change any recommendations at present.

Volkswagen was again in the news after reports earlier this week of expected losses at its Spanish subsidiary. The shares lost DM11 or 3 per cent to DM350.50.

Daimler fell DM12.70 or 1.8 per cent to DM708.80 ahead of tomorrow's results.

Mr Geiger maintains a positive stance on construction stocks, particularly Hochtief and Bilfinger and Berger which stand to gain if either Berlin or Sydney are successful in winning the bid for the Olympic Games in 2,000 – a decision is due next week – since both groups also have a strong exposure in Australia. Hochtief yesterday shed DM14 to DM1,101 and Bilfinger DM1 to DM910.

AMSTERDAM was another market to be affected by currency woes and the CBS Tendency index closed down 2.8 or 2 per cent at 122.4, with most of the losses occuring late in the session.

Analysts at Amsterdam brokers Pierson were not worried by the day's fall and maintained that the market was showing a healthy correction from recent high levels.

MILAN saw technical selling during the last hour wipe out some of the earlier gains, leaving the Comit index 4.90 ahead at 611.04. The last day of the monthly account had begun in positive mood with firm demand for insurers and renewed US interest in the telecom sector.

However, Generali, which led the early gains following Tuesday's disclosure that first half premium income was up 14 per cent on the year slipped back to close L429 higher at L40,837, after a day's high of L41,230.

Fiat fell L103 to L6,322, as rumours that the group might be planning a rights issue refused to go away.

Sip, the domestic telephone operator gained L55 to L3,594 while Stet, the holding company, finished L6 lower to L4,415.

Ferruzzi ended limit down for the fourth successive day. The share shed L37 or 10 per cent to L326.

ZURICH was hit as the dollar fell to a year's low against the Swiss franc and the SMI index shed 26.5 or 1.1 per cent to 2,361.8.

The mood was also dampened by tomorrow's options and futures expiry which was also expected to restrain activity today. Among exporters under pressure, Nestlé registered shares fell SFr21 to SFr1,041.

MADRID was pushed lower by profit taking as investors were unnerved by falls in other European stock and bond futures markets and news that disagreements were surfacing between trades union officials and the government in a new round of social pact talks.

The general index shed 5.36 or 1.9 per cent to 283.30 in heavy turnover of Pta21.5bn.

STOCKHOLM shed 1.7 per cent in response to sharply higher debt market yields. The Affärsvärlden index fell 21.8 to 1,265.7.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

September 15 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1280.69	1278.55	1276.90	1274.45	1269.62	1267.86	1265.06	1260.47
FT-SE Eurotrack 200	1354.96	1350.59	1349.98	1347.74	1343.48	1342.08	1337.99	1337.35

	Sep 14	Sep 13	Sep 10	Sep 9	Sep 8
FT-SE Eurotrack 100	1279.94	1276.64	1263.72	1265.95	1266.53
FT-SE Eurotrack 200	1357.12	1351.64	1356.64	1362.52	1363.68

Base value 1000 (26/10/90) High/day: 100 - 1280.98; 200 - 1354.96 Low/day: 100 - 1260.47 200 - 1336.61.

Gold shares gain in S Africa

FUTURES-related buying gave shares a late upward move amid improved sentiment as the bullion price neared \$350 an ounce, Reuter reports from Johannesburg. The golds index finished 62 higher at 1,590, while the Industrials index rose 22 to 4,554. The overall index added 28 at 3,858.

De Beers went against the trend after declines in US trading, losing R2 at R81.50.

Anglos put on R3 at R132.50 and Richemont rose 35 cents to R42.75. Barlow Rand firmed 25 cents to R41.75 and Remgro climbed 50 cents to R26.

Lonrho fell back after recent gains, losing 15 cents to R8.80.

Oil issues saw mixed performances, with Engen losing 50 cents to R36.50 and Sasol rising 25 cents to R20.

Iscor was the most actively traded share, adding a cent at R1.35 in turnover of R5.7m.

Among golds, Vaal Reefs advanced R9 to R298, Kloof gained R1.75 at R42.25 and Loraine rose 20 cents to R9.70.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY SEPTEMBER 14 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY SEPTEMBER 13 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	138.32	-1.9	133.57	93.18	116.37	143.82	-0.9	3.58	142.03	136.51	95.36	118.96	145.10	148.84	117.39	132.00
Austria (17)	175.50	-0.8	168.25	117.37	148.58	146.89	-0.5	1.05	176.96	169.73	118.60	147.70	150.43	186.43	151.18	158.84
Belgium (42)	151.38	-1.1	145.12	101.23	128.43	128.79	-0.3	4.45	153.12	147.18	102.63	128.25	129.15	158.76	131.18	141.81
Canada (107)	123.50	-0.1	118.39	82.59	103.14	118.18	+0.4	2.87	123.57	118.77	82.89	103.49	117.78	130.38	111.41	128.01
Denmark (33)	230.54	+0.0	221.01	154.18	192.63	206.98	-0.2	1.10	230.54	221.58	154.64	193.06	207.33	232.42	185.11	205.57
Finland (23)	108.24	-1.0	104.72	73.06	91.24	130.79	-0.8	0.90	110.33	106.04	74.10	92.41	131.54	118.56	85.50	55.98
France (97)	171.89	+0.9	164.58	114.81	143.28	160.88	+0.7	3.06	170.23	163.62	114.32	142.57	148.90	171.89	142.72	160.35
Germany (60)	127.30	+0.7	122.04	85.15	106.32	106.32	+0.4	1.98	126.41	121.50	84.91	105.88	105.88	128.77	101.59	118.06
Hong Kong (55)	296.09	-0.2	283.86	198.02	247.61	294.02	-0.2	3.35	296.69	285.18	199.26	248.50	294.65	302.14	218.82	232.80
Ireland (14)	172.12	-0.3	165.01	115.11	143.76	187.32	-0.3	3.35	172.61	165.91	115.93	144.57	187.74	173.08	128.28	152.87
Italy (70)	78.41	+1.8	75.17	52.44	65.49	89.95	+1.8	1.81	76.97	73.98	51.68	64.47	88.36	79.93	58.78	54.12
Japan (470)	157.63	-0.5	151.11	105.42	131.67	105.42	–	0.78	158.42	152.26	106.40	132.70	106.40	166.91	100.75	111.47
Malaysia (69)	401.12	-0.3	384.54	268.26	335.01	392.62	-0.3	1.76	402.18	386.57	270.11	336.84	393.67	410.47	251.56	233.76
Mexico (18)	1721.07	-1.4	1649.94	1151.01	1437.48	5854.05	-1.4	0.84	1745.31	1677.52	1172.18	1461.80	5937.46	1771.56	1410.30	1267.81
Netherland (24)	185.54	+0.4	177.88	124.09	154.97	152.61	+0.1	3.58	184.76	177.58	124.09	154.75	152.67	187.18	150.28	160.25
New Zealand (13)	60.82	+0.3	58.30	40.68	50.80	58.40	-0.2	3.92	60.66	58.31	40.74	50.81	58.53	62.98	40.59	43.04
Norway (22)	177.44	+0.6	170.10	118.67	148.20	166.34	+0.9	1.57	175.78	168.95	118.06	147.23	168.77	177.44	137.71	142.93
Singapore (38)	287.90	-0.2	276.01	192.55	240.46	212.01	-0.4	1.63	288.60	277.39	193.83	241.72	212.40	290.53	207.04	193.06
South Africa (60)	177.06	+0.1	169.79	118.42	147.90	188.78	+0.1	2.77	176.89	170.02	118.80	148.15	188.67	215.29	144.72	157.23
Spain (43)	140.34	+0.9	134.54	93.86	117.21	136.51	+1.4	4.18	139.08	133.68	93.40	116.47	134.69	140.87	115.23	136.45
Sweden (36)	189.98	+1.3	182.13	127.06	158.68	221.97	-0.5	1.82	191.48	184.04	128.60	160.38	222.59	196.23	148.70	183.61
Switzerland (50)	137.98	+1.7	132.28	92.28	115.26	118.54	+1.0	1.82	135.70	130.43	91.15	113.67	118.41	138.04	108.91	114.07
United Kingdom (218)	190.73	+0.3	182.85	127.55	159.29	182.85	+0.0	3.90	190.15	182.76	127.70	159.25	182.78	190.73	162.00	174.73
USA (520)	187.94	-0.5	180.18	125.70	156.98	187.94	-0.5	2.78	188.82	181.49	126.82	158.18	188.82	191.70	175.38	171.27
Europe (748)	159.39	+0.6	152.80	106.60	133.13	146.28	+0.4	3.06	158.49	152.34	106.45	132.75	145.73	159.39	133.92	142.53
Nordic (113)	179.97	-0.5	172.53	120.36	150.32	183.46	-0.2	1.34	180.90	173.88	121.50	151.52	183.67	183.83	142.13	153.87
Pacific Basin (714)	161.60	-0.5	154.92	108.08	134.97	112.70	-0.9	1.05	162.45	156.14	109.11	136.06	113.68	168.80	105.89	113.81
Euro-Pacific (1462)	160.58	-0.1	153.94	107.38	134.11	126.52	-0.4	1.98	160.71	154.47	107.93	134.60	126.97	162.86	117.28	126.62
North America (627)	183.94	-0.4	176.34	123.03	153.63	183.21	-0.4	2.78	184.77	177.60	124.11	154.78	184.01	185.59	171.51	166.44
Europe Ex. UK (530)	139.50	+0.7	133.74	93.31	116.54	125.04	+0.6	2.54	138.48	133.10	93.02	116.01	124.30	139.50	112.51	126.78
Pacific Ex. Japan (244)	201.04	-0.7	192.73	134.47	167.93	188.09	-0.4	3.02	202.50	194.63	136.02	169.62	188.68	205.81	152.70	158.34
World Ex. US (1648)	160.44	-0.1	153.81	107.31	134.01	126.41	-0.3	1.90	160.59	154.36	107.86	134.51	126.85	162.69	118.51	127.91
World Ex. UK (1950)	166.46	-0.3	159.59	111.33	139.04	143.28	-0.4	2.03	166.94	160.46	112.13	139.84	143.91	168.50	134.22	138.41
World Ex. So. Af. (2108)	168.67	-0.2	161.70	112.82	140.89	146.48	-0.4	2.21	169.07	162.50	113.56	141.82	147.06	170.43	137.29	141.33
World Ex. Japan (1698)	176.44	-0.1	169.15	118.01	147.36	170.12	-0.2	2.88	176.64	169.78	118.64	147.97	170.36	177.11	157.47	158.82
The World Index (2168)	168.59	-0.2	161.63	112.76	140.82	146.87	-0.4	2.21	168.99	162.42	113.50	141.55	147.45	170.42	137.32	141.56

Latest prices were unavailable for this edition.